1

NEWARK PUBLIC LIBRARY

DEC 3 1985

U. S. GOVT. PUBS.
DEPOSITORY 376

Ju 7.5/2:

CASES DECIDED IN UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

VOLUME 1

CUSTOMS CASES ADJUDGED IN THE
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

October 1982 to October 1983

RUTH A. BUTLER
ADMINISTRATIVE SERVICES OFFICER

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

READEX
FICHE

CONTENTS

	Page
Judges and Officers of the Court	V
Cases Reported	VII
Cases Cited	IX
Treasury Decisions Cited	XIII
Index of Customs Appeals Decisions	XV
Action of Supreme Court in Cases Appealed	XVII
Opinions of the Court	1
Unpublished Opinions of the Court	165
Dismissals	167
Index	169
Statutes Construed and Referred to	171

JUDGES AND OFFICERS OF THE COURT

Chief Judge
HOWARD T. MARKEY

Circuit Judges

DANIEL M. FRIEDMAN	**SHIRO KASHIWA**
GILES S. RICH	**MARION T. BENNETT**
PHILIP NICHOLS, Jr.	**JACK R. MILLER**
OSCAR H. DAVIS	**EDWARD S. SMITH**
PHILLIP B. BALDWIN	**HELEN W. NIES**

Senior Circuit Judges

DON N. LARAMORE	**WILSON F. COWEN**
J. LINDSAY ALMOND, Jr.	**BYRON G. SKELTON**

Clerk
GEORGE E. HUTCHINSON

Senior Technical Assistant
SHERMAN D. WINTERS

Administrative Services Officer
RUTH A. BUTLER

TABLE OF CASES REPORTED

Page

Aktiebolaget Karlstads Mekaniska Werkstad and KMW-Johnson, Inc. v. United States International Trade Commission and Beloit Corp 21
Alcan Sales, Div. of Alcan Aluminum Corp. v. The United States 11
Bally/Midway Mfg. Co. v. United States International Trade Commission 119
Bar Bea Truck Leasing Co., Inc., Bar-Mar Warehouse Co., Inc., the United States, United States Customs Service, Benjamin C. Jefferson, Peter Noonan and Melvin Minsky v 151
Bar Zel Expediters, Inc., A/C Ben Clements & Sons, Inc. v. The United States 17
Border Brokerage Co., Inc., The United States v 58
Committee To Preserve American Color Television (A.K.A. COMPACT) and the Imports Committee, Tube Division, Electronic Industries Association v. The United States 53
Daw Industries, Inc. v. The United States 146
Holly Stores, Inc. v. The United States 16
Industrial Fasteners Group, American Importers Association v. The United States 81
Leather's Best, Inc. v. The United States 70
Lockheed Petroleum Services, Ltd., The United States v 63
Roses, Inc., The United States v 39
Schaper Manufacturing Co. and A. Eddy Goldfarb d/b/a A. Eddy Goldfarb & Associates v. United States International Trade Commission, Soma Traders, Ltd., et al. 157
Shaw Industries, Inc., Mohasco Corp., Queen Carpet Corp., and Tice Yarns v. The United States 67
Siemens America, Inc., et al. v. The United States 9
Smith-Corona Group, Consumer Products Division, SCM Corp. v. The United States, Appellee, and Brother Industries, Ltd., Brother International Corp., Silver Seiko, Ltd. and Silver Reed America, Inc., Parties-in-Interest 130
SSIH Equipment S.A. v. United States International Trade Commission and Stewart-Warner Corp 90
South Corp. and Seal Fleet, Inc. v. The United States 1
Uniroyal, Inc. v. The United States 21
Zenith Radio Corp. v. The United States, et al 74

TABLE OF CASES CITED

Page
Adams, United States v., 383 U.S. 39, 49, 148 USPQ 479, 482 (1966) 113
Addington v. Texas, 441 U.S. 418, 423–25 (1979) 106
Admiral Craft Equip. Corp. v. United States, 82 Cust. Ct. 162, C.D. 4796 (1979) 150
Air Sea Brokers, Inc. v. United States, 596 F.2d 1008 (CCPA 1979) 155
Alamance Industries, Inc. v. Gold Medal Hosiery Co., 194 F. Supp. 538, 540, 129 USPQ 219, 220 (S.D.N.Y. 1961) 94
Alcan Sales v. United States, 534 F.2d 920 (CCPA), *cert. denied,* 429 U.S. 986 (1976) 12
Alcan Sales v. United States, 528 F. Supp. 1159, 1162 (CIT 1981) 13
American Tobacco Co. v. United States, 61 Ct. Cl. 980, 991–92 (1926) 65
American Whaling Co., United States v., 38 CCPA 164 (1951) 8
Anderson Brothers Corp. v. O'Meara, 306 F.2d 672, 677 (5th Cir. 1962) 67
Arkley, In re, 455 F.2d 586, 172 USPQ 524 (CCPA 1972) 103
Astra-Sjuco A.B. v. U.S. Int'l Trade Comm'n, 629 F.2d 682, 690, 207 USPQ 1, 8 (CCPA 1980) 127
Autogiro Co. of America v. United States, 384 F.2d 391, 395–99, 155 USPQ 697, 701–04 (Ct. Cl. 1967) 102
Bally/Midway Mfg. Co. v. U.S. International Trade Commission, No. 82–32, Aug. 2, 1983 163
Beatty Safway Scaffold Co. v. Up-Right, Inc., 306 F.2d 626, 134 USPQ 379 113
Beaver Products Co. v. United States, 17 CCPA 434 (1930) 8
Best Foods, Inc., The, United States v., 47 CCPA 163 (1960) 5
Best v. United States, 1 Ct. Cust. App. 49, T.D. 31,009 (1910) 150
Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, 350, 169 USPQ 513, 527 (1971) 93, 111
Border Brokerage, Inc., United States v., 343 F. Supp. 1396 (Cust. Ct. 1970) *aff'd*, 461 F.2d 1383 (CCPA 1972) 61
Brother Indus. Ltd. v. United States, 540 F. Supp. 1341 (CIT 1982) 131
C. Itoh & Co. v. United States, 678 F.2d 218, 220 (CCPA 1982) 148
Cadwalader v. Zeh, 151 U.S. 171 (1894) 20
Calico Scallop Corp. v. Willis Bros., Inc., 458 F.2d 390, 173 USPQ 321 (4th Cir. 1972) 115
Calvert Cliffs Coordinating Committee, Inc. v. AEC, 449 F.2d 1109 (D.C.Cir. 1971) 57
Carborundum Co., United States v., 536 F.2d 373, 377 (CCPA 1976) 62
Certain Automatic Crankpin Grinders, In re, 205 USPQ 71 (1979) 124
Certain Coin-Operated Audiovisual Games and Components Thereof, In re, Int'l Trade Comm'n Publ. No. 1267 (July 1982) 120
Charlton v. Federal Trade Commission, 543 F.2d 903 (D.C. Cir. 1976) 105
Chaunt v. United States, 364 U.S. 350, 353 (1960) 107
Chesterfield v. United States, 159 F. Supp. 371, 116 USPQ 445 (Ct. Cl. 1958) 113
Citizens to Preserve Overton Park v. Chemical Foundation, 272 U.S. 1, 14–15 (1926) 43
Citizens to Preserve Overton Park v. Volpe, 401 U.S. 402, 415 (1971) 110
Clarke & Co., United States v., 13 Ct. Cust. Appls. 462, 465, T.D. 41349 (1926) 19
Clemens, In re, 622 F.2d 1029, 1036, 206 USPQ 289, 297, (CCPA 1980) 33
COMPACT v. United States, 2 CIT 208, 527 F. Supp. 341 (1981) 54
COMPACT v. United States, 3 CIT 59 & 60, 551 F. Supp. 1142, 1143, N. 1 (1982) 55

Page

COMPACT v. United States, 3 CIT 59 & 60, Slip Op. 82-101, 16 Cust. Bull. and Dec. No. 49, 55 (1982) 55
Consolidated Edison Co. v. Labor Board, 305 U.S. 197, 229 (1938) 109
Consolo v. Federal Maritime Commission, 383 U.S. 607, 619-20 (1966) 95
Cornet Stores v. Morton, 632 F.2d 96 (9th Cir. 1980), *cert. denied*, 451 U.S. 937 (1981) 13
Corning Glass Works, United States v., 586 F.2d 822 (CCPA 1978) 8
Corpus Company v. United States, 350 F. Supp. 1397 (1972), *appeal dismissed*, 60 CCPA 185 (1973) 5
Daw Industries Inc. v. United States, 561 F. Supp. 433 (CIT 1983) 146
DeBaun, In re, 687 F.2d 459, 214 USPQ 933 (CCPA 1982) 33
Decca Ltd. v. United States, 420 F.2d 1010, 1021, 164 USPQ 348, 357 (Ct. Cl. 1970), *cert. denied*, 400 U.S. 865, 167 USPQ 321 (1970) 113
Decca Ltd. v. United States, 544 F.2d 1070, 1081, 191 USPQ 439, 448 (Ct. Cl. 1976) 102
Deposit Bank v. Frankfort, 191 U.S. 499 (1903) 94
Di Jub Leasing Corp. v. United States, 505 F. Supp. 1113 (CIT 1980) 153
Ditbro Pearl Co. v. United States, 62 CCPA 95, C.A.D. 1152, 515 F.2d 1157 (1975) 10
Dominion Magnesium Ltd. v. United States, 320 F.2d 388, 394, 138 USPQ 306, 310-11 (Ct. Cl. 1963) 113
Eastern Rotorcraft Corp. v. United States, 397 F.2d 978, 979, 154 USPQ 43, 44 (Ct. Cl. 1967) 103
Elizabeth River Terminals v. United States, 509 F. Supp. 512 (1981) 6
F.W. Myers & Co. v. United States, 376 F. Supp. 860 (Cust. Ct. 1974) 143
FTC v. Dean Foods Co., 384 U.S. 597 (1966) 76
Farnsworth v. Duffner, 142 U.S. 43, 48 (1891) 67
First City National Bank, United States v., 386 U.S. 361, 368-69 (S.D. Tex. 1966) 108
Fontana Hollywood Corp. v. United States, 64 Cust. Ct. 204, C.D. 3981 (1970) 17
Frischer & Co. v. Bakelite Corp., 39 F.2d 247 (CCPA 1930) 161
General Electric Co. v. Wabash Appliance Corp., 304 U.S. 364, 368-372, 37 USPQ 466, 468-70 (1938) 114
General Motors Corp. v. ITC, 687 F.2d 476, 480, 215 USPQ 484, 487 (CCPA 1982), *cert. denied*, 103 S. Ct. 729 (1983) 34
Graham v. John Deere Co., 383 U.S. 1, 17 (1966) 100
Graver Tank & Mfg. Co. v. Linde Air Products Co., 336 U.S. 271, 276-77, 80 USPQ 451, 453 (1949) 114
Grymes v. Sanders, 93 U.S. 55, 61 (1876) 67
Hailes v. Van Wormer, 20 Wall, 353, 372, 22 L.Ed. 241 (1873) 114
Henry Pollak, Inc. v. Blumenthal, 444 F. Supp. 56, 59 (D.D.C. 1977) *aff'd mem.*, 593 F.2d 1371 (D.C. Cir. 1979) *cert. denied*, 444 U.S. 836 (1979) 13, 15
Herman & MacLean v. Huddleston, 103 S. Ct. 683, 691 (1983) 106
Industrial Fasteners Group v. United States, 525 F. Supp. 885, 2 CIT 181 (1981), 542 F. Supp. 1019, 4 CIT (1982), Slip Op. 82-26 (April 19, 1982) 82
International Spring Mfg. Co. v. United States, 496 F. Supp. 279 (Cust. Ct. 1980) *aff'd*, 641 F.2d 875 (CCPA 1981) 8
Jamesbury Corp. v. Litton Indus. Prods., Inc., 586 F.2d 917, 199 USPQ 641 (2d Cir. 1978), *cert. denied*, 440 U.S. 961, 201 USPQ 960 (1979) 113
Jerlian Watch Co. v. United States, 597 F.2d 687, 691 (9th Cir. 1979) 15
John B. Hewett Co. v. United States, 48 CCPA 24 (1960) 7
John P. Stetson, Co., United States v., 21 CCPA (Customs) 3 (1933) 73
Kalvar Corp. v. United States, 543 F.2d 1298, 1301 (Ct. Cl. 1976) 43
Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 245-47 (1933) 104
Labor Board v. Columbian Enameling & Stamping Co., 306 U.S. 292, 300 (1939).. 109
Lansing Co. v. United States, 424 F. Supp. 112, 114, C.D. 4675 (Cust. Ct. 1976) 65
Leesona Corp. v. United States, 185 USPQ 156, 164 (Ct. Cl. 1975), *aff'd*, 530 F.2d 896, 192 USPQ 672 (Ct. Cl. 1976) 113
Lockheed Petroleum Services, Ltd. v. United States, No. 77-9-03991, Slip Op. at 11 (Ct. Int'l Trade, July 21, 1982) 65

Page

Lowenstein v. United States, 24 CCPA (Customs) 163 (1936) ... 73
M.H. Garvey Co. v. United States, 65 Cust. Ct. 434, 443–44 C.D. 4119 (1970) ... 149
Malat v. Riddell, 383 U.S. 569, 571 (1966) ... 4
Mercantil Distribuidora, United States v., 43 CCPA 111 (1956) ... 8
Miracle Exclusives Inc., United States v., 668 F.2d 498, 501 (CCPA 1981) ... 63
Montgomery Ward & Co. v. Zenith Radio Corp., 673 F.2d 1254 (CCPA) *reh'g denied,* No. 81-24 (CCPA order entered May 13, 1982) *cert. denied sub nom.* Zenith Radio Corp. v. United States, 103 S. Ct. 256 (1982) ... 54
Moragne v. States Marine Lines, Inc., 398 U.S. 375 (1970) ... 2
Morgan, United States v., 313 U.S. 409, 421–22 (1941) (*Morgan IV*) ... 58
Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 510, 37 S.Ct. 416, 418, 61 L.Ed. 871 (1917) ... 114
Murel v. Baltimore City Criminal Court, 407 U.S. 355 (1972) ... 108
Murphy & Co., United States v., 13 Ct. Cust. Appls. 456, 461, T.D. 41348 (1926) ... 19
National Nutritional Foods Association v. FDA, 491 F.2d 1141, 1144–45 (2d Cir. 1974) ... 57
Nestle's Food Co. v. United States, 16 Ct. Cust. App. 451, 457, T.D. 43199 (1929) ... 65
New York Merchandise Co., United States v., 435 F.2d 1315, 1318 (CCPA 1970) ... 150
Nomiya, In re, 509 F.2d 566, 571, 184 USPQ 607, 612 (CCPA 1975) ... 32
Norman G. Jensen, Inc., United States v., 550 F.2d 662 (CCPA 1977) ... 59
Nulf v. International Paper Co., 656 F.2d 553, 563 (10th Cir. 1981) ... 108
Palmer v. United States, 423 F.2d 316, 320–21, 163 USPQ 250, 254 (Ct. Cl. 1969), *aff'd,* 423 F.2d 316, 165 USPQ 88 (Ct. Cl. 1970), *cert. denied,* 400 ULS 951, 167 USPQ 705 (1970) ... 113
Parks v. Dunlop, 517 F.2d 785 (CA 5 1975) ... 77
Pfizer, Inc. v. International Rectifier Corp., 538 F.2d 180, 195, 190 USPQ 273, 286 (8th Cir. 1976), *cert. denied,* 429 U.S. 1040 (1977) ... 105
Pharmacia Laboratories v. United States, 609 F.2d 491, 493 (CCPA 1979) ... 8
Philips Indus. Inc. v. State Stove & Mfg. Co., 522 F.2d 1137, 186 USPQ 458 (6th Cir. 1975) ... 113
Pompeo v. United States, 40 Cust. Ct. 362, C.D. 2006 (1958) ... 150
Pullman-Standard v. Swint, 456 U.S. 273, 287–88 (1982) ... 148
Radio Corp. v. Radio Laboratories, 293 U.S. 1 (1934) ... 101
Rembrandt Elecs. Inc., United States v., 542 F.2d 1154, 1156 (CCPA 1976) ... 148
Roberts Dairy Co. v. United States, 182 USPQ 218, 223–24 (Ct. Cl. 1974), *aff'd,* 530 F.2d 1342, 198 USPQ 383 (Ct. Cl. 1976) ... 113
Rohm & Haas Co. v. USITC, 554 F.2d 462, 463, 193 USPQ 693, 694 (CCPA 1977) ... 94
S.E.C. v. Chenery Corp., 318 U.S. 80 (1943) ... 47
S.F. Bar Pilots Ass'n v. United States, 64 Treas. Dec. 682, T.D. 46787 (Cust. Ct. 1933) ... 7
S.J. Stile Assoc. Ltd. v. Dennis Snyder, 646 F.2d 522 (CCPA 1981) ... 76, 81
S.S. Perry, United States v., 25 CCPA 282, 286 (CCPA 1938) ... 61
SSIH Equip. S.A. v. USITC, 673 F.2d 1387, 1390, 213 USPQ 529, 531, N.8 (CCPA 1982) ... 94
Schneiderman v. United States, 320 U.S. 118, 125, 159 (1943) ... 107
Schwab & Co., United States v., 30 CCPA 72, 78, C.A.D. 218 (1942) ... 20
Schwarz v. United States, 417 F.2d 1391, 1394 (CCPA 1969) ... 149
Schweiker v. Hansen, 450 U.S. 785 (1981) ... 156
Scripps-Howard Radio, Inc. v. FCC, 316 U.S. 4 (1942) ... 76
Sealed Air Corp. v. USITC, 645 F.2d 976, 985–86, 209 USPQ 469, 477–78 (CCPA 1981) ... 94
Siemens America, Inc., United States v., 84 Cust. Ct. 180, C.D. 4856, 496 F. Supp. 266 (1980), *rev'd,* 68 CCPA 62, C.A.D. 1266, 653 F.2d 471 (1981) ... 9
Smith-Corona Group, Consumer Prods. Div., SCM Corp. v. United States, 1 CIT 89, 507 F. Supp. 1015 (CIT 1980) ... 77, 131
Solder Removal Co. v. USITC, 582 F.2d 628, 199 USPQ 129, 133 (CCPA 1978) ... 37, 100

Page

South Corp. v. United States, 690 F.2d 1368, 1370, 215 USPQ 657, 658 (Fed. Cir. 1982) 19, 111
Special Equipment Co. v. Coe, 324 U.S. 370, 385–386, 64 USPQ 525, 532 (1945) 114
Spencer, Kellogg & Sons v. United States, 13 Ct. Cust. App. 612, 615–16 T.D. 41459 (1926) 65
Standard Dredging Co. v. United States, 67 Treas. Dec. 239, T.D. 48136 (Cust. Ct. 1936) 7
Stevenson v. USITC, 67 CCPA 109, 112, 612 F.2d 546, 549, 204 USPQ 276, 279 (1979) 100
Stewart-Warner Corp. v. City of Pontiac, 213 USPQ 453 (E.D. Mich. 1981) 91
Straussler v. United States, 339 F.2d 670, 671, 143 USPQ 443, 443–44 (Ct. Cl. 1964) 103
Tate Engineering, Inc. v. United States, 477 F.2d 1336, 1340, 117 USPQ 365 (1973) 115
Texstream Corp. v. Blanchard, 352 F.2d 983, 147 USPQ 431 (5th Cir. 1965), *cert. denied*, 387 U.S. 936, (153 USPQ 888) (1967) 115
Tippett v. Maryland, 436 F.2d 1153, 1166 (CA 4 1971) 108
United States Gypsum Co., United States v., 333 U.S. 364, 395 (1948) 109
Universal Camera Corp. v. NLRB, 340 U.S. 474 (1951) 109
Unnamed Physician v. Commission on Medical Discipline, 400 A.2d 396, 401 (Md. 1979) 95
Virginia Petroleum Jobbers Ass'n v. FPC, 259 F.2d 921, 925 (D.C. 1958) 76
Volkswagen of America, Inc. v. United States, 340 F. Supp. 983, 989 (Cust. Ct. 1972), *aff'd*, 494 F.2d 703, 704 (CCPA 1974) 149
Von Clemm, In re, 229 F.2d 441, 444, 108 USPQ 371, 373 (CCPA 1955) 125
W.C. Hardesty Co., United States v., 36 CCPA 47, 52 (1949) 65
Western Operating Corp., United States v., 35 CCPA 71 (1947) 8
Western Stamping Corp. v. United States, 57 CCPA 6, 8, 417 F.2d 316, 317 (1969) 65
Whitney v. SEC, 604 F.2d 676, 681 (D.C. Cir. 1979) 111
Wilbur-Ellis Co. v. United States, 26 CCPA 403 (1939) 61
Wilcox Mfg. Co. v. Eastern Gas & Fuel Assocs., 440 F.2d 960, 158 USPQ 510 (4th Cir. 1968), *cert. denied*, 393 U.S. 1051, 160 USPQ 832 (1969) 113
Williams v. IAM, 484 F. Supp. 917, 920 (S.D. Fla. 1978); *aff'd*, 617 F.2d 441 (5th Cir.), *cert. denied*, 449 U.S. 840 (1980) 67
Winans v. Denmead, 56 U.S. (15 How.) 329, 337 (1853) 102
Winship, In re, 397 U.S. 358, 370 (1970) 107
Woodby v. INS, 385 U.S. 276 (1966) 106
Yosemite Park & Curry v. United States, 582 F.2d 552 (Ct. Cl. 1978) 156
Yoshida Int'l, Inc., United States v., 526 F.2d 560, 567 (CCPA 1975) 11
Zenith Radio Corp. v. United States, 1 CIT 180, 509 F. Supp. 1282 (1981) 54
Zenith Radio Corp. v. United States, 3 CIT 243, Slip Op. 82–98, 16 Cust. Bull. and Dec. No. 49, 47 (1982) 55
Zenith Radio Corp. v. United States, 553 F. Supp. 1052, 1054 (CIT 1982) 77
Zenith Radio Corp. v. United States, 437 U.S. 443, 450–451 (1978) 84, 86

TREASURY DECISIONS CITED

	Page
T.D. 71-76	53, 78
T.D. 31009	149
T.D. 41348	19
T.D. 41349	19
T.D. 41459	64
T.D. 43199	64
T.D. 46787	7
T.D. 48136	7

APPEALS DECISIONS

	Page
Appeal No. 82-2	89
Appeal No. 82-12	9
Appeal No. 82-14	16
Appeal No. 82-15	58
Appeal No. 82-17	11
Appeal No. 82-19	1
Appeal No. 82-21	21
Appeal No. 82-24	130
Appeal No. 82-27	39
Appeal No. 82-29	17
Appeal No. 82-30	81
Appeal No. 82-31	21
Appeal No. 82-32	119
Appeal No. 82-35	63
Appeal Nos. 82-36/83-515	151
Appeal No. 83-578	53
Appeal No. 83-590	74
Appeal No. 83-594	70
Appeal No. 83-641	67
Appeal No. 83-713	157
Appeal No. 83-833	146

ACTION OF SUPREME COURT OF THE UNITED STATES IN CASES APPEALED

AFFIRMED

Aetna Explosive Co. *v.* United States, 9 Ct. Cust. Appls. 298; 256 U.S. 402.

Board of Trustees of the University of Illinois *v.* United States, 20 CCPA 134; 289 U.S. 48.

Fish *v.* United States, 12 Ct. Appls. 307; 268 U.S. 607.

Hampton & Co. *v.* United States, 14 Ct. Cust. Appls. 350; 276 U.S. 394.

Nicholas & Co. *v.* United States; and Shaw Co. *v.* United States, 7 Ct. Cust. Appls. 97; 249 U.S. 34.

Norwegian Nitrogen Products Co. *v.* United States, 20 CCPA 27; 288 U.S. 294.

Rice & Co. *v.* United States, 10 Ct. Cust. Appls. 165; 257 U.S. 536.

Zenith Radio Corp. *v.* United States, 64 CCPA 130; 437 U.S. 443.

REVERSED

Bush & Co. *v.* United States, 27 CCPA 64; 310 U.S. 371.

Finklestein & Kommel, United States *v.*, 15 Ct. Cust. Appls. 62; 275 U.S. 501.

Five Per Cent Discount Cases, 6 Ct. Cust. Appls. 291; 243 U.S. 97.

Stone & Downer Co., United States *v.*, 12 Ct. Cust. Appls. 557; 274 U.S. 225.

Vitelli & Son *v.* United States, 7 Ct. Cust. Appls. 243; 250 U.S. 355.

REVERSED AND REMANDED

Barr, United States *v.*, 32 CCPA 16; 143 F.2d 132; 324 U.S. 83.

Clayton Chemical & Packing Co., United States *v.*, 52 CCPA 111; 375 F.2d 1009; 383 U.S. 821.

CERTIORARI DENIED

Akeroyd & Son *v.* United States, 19 CCPA 249; 285 U.S. 550.

Allen, Inc., United States *v.*, 37 CCPA 119; 340 U.S. 818.

American Foundation, Inc. *v.* United States, 19 CCPA 36; 284 U.S. 623.

Amity Fabrics Inc. *v.* United States, 58 CCPA 73; 402 U.S. 974.

Amtorg Trading Corp., In re, 22 CCPA 558; 296 U.S. 576.

Angel & Co., United States *v.*, 33 CCPA 114; 328 U.S. 835.

Aris Gloves, Inc., United States *v.*, 48 CCPA 126; 368 U.S. 954

A. W. Fenton Co. *v.* United States, 53 CCPA 98; 385 U.S. 970.

A. Zerkowitz *v.* United States, 58 CCPA 60, 72, 435 F.2d 576; 404 U.S. 831.

Benrus Watch Co. *v.* United States, 21 CCPA 139; 291 U.S. 679.

Berent-Vandervoort & Co., Inc. *v.* United States, 46 CCPA 28; 359 U.S. 953.

Bernstein & Sons, United States *v.*, 19 CCPA 59, 242; 285 U.S. 554.
Bethlehem Steel Co., United States *v.*, 53 CCPA 142; 386 U.S. 912.
Beandamer, United States, *v.*, 20 CCPA 45; 287 U.S. 628.
Bordas & Co., United States, *v.*, 51 CCPA 107; 379 U.S. 999.
Brecht Corp. *v.* United States, 25 CCPA 9; 302 U.S. 719.
Brown & Co. *v.* United States, 12 Ct. Cust. Appls. 93; 265 U.S. 582.
Burke Ltd. *v.* United States, 26 CCPA 374; 308 U.S. 564.
Cajo Training, United States, *v.*, 55 CCPA 61; 393 U.S. 827.
Celanese Corp. of America *v.* United States, 18 CCPA 417; 284 U.S. 623.
China Liquor Distributing Co. *v.* United States, 52 CCPA 1; 380 U.S. 962.
Collin & Gessel, United States *v.*, 20 CCPA 96; 314 U.S. 672.
Columbo Co., United States *v.*, 21 CCPA 177; 290 U.S. 673.
C. O. Mason, Inc., United States *v.*, 51 CCPA 107; 379 U.S. 999.
Cottman & Co. *v.* United States, 20 CCPA 344; 289 U.S. 750.
Cottman & Co., United States, *v.*, 23 CCPA 378; 299 U.S. 566.
Dart Export Corp. *v.* United States, 43 CCPA 64; 352 U.S. 824.
DeFremery & Co. *v.* United States, 31 CCPA 83; 321 U.S. 782.
Duche & Sons, Inc. *v.* United States, 36 CCPA 19; 336 U.S. 931.
Duche & Sons, *v.* United States, 39 CCPA 186; 344 U.S. 830.
Faber, Coe & Gregg, Inc. *v.* United States, 19 CCPA 8; 284 U.S. 643.
Fox River Butter Co. *v.* United States, 20 CCPA 38; 287 U.S. 628.
Garrow, United States, *v.*, 24 CCPA 410; 302 U.S. 695.
General Rubber Co. *v.* United States, 22 CCPA 308; 294 U.S. 727.
George E. Warren Corp. *v.* United States, 22 CCPA 178; 293 U.S. 586.
George E. Warren Corp. *v.* United States, 25 CCPA 450; 304 U.S. 572.
Guillermo Arbona Coll, Inc., United States, *v.*, 51 CCPA 107; 379 U.S. 999.
Hammond Lead Products, Inc. *v.* United States, 58 CCPA 129; 440 F.2d 1024, 404 U.S. 1005.
Hansson, Inc., United States, *v.*, 48 CCPA 91; 386 U.S. 899.
Hiram Walker & Sons, Inc. *v.* United States, 26 CCPA 121; 305 U.S. 627.
Hulse Import Co. *v.* United States, 52 CCPA 1; 353 U.S. 916.
Jabara & Bros., United States, *v.*, 19 CCPA 76; 284 U.S. 623.
Jacksonville Paper Co. *v.* United States, 30 CCPA 159; U.S. 737.
Lamborn & Co. *v.* United States, 27 CCPA 46; 308 U.S. 589.
Lamont, Corliss & Co. *v.* United States, 18 CCPA 431; 284 U.S. 622.
Leon & Co. *v.* United States, 20 CCPA 49; 287 U.S. 628.
Lewis & Conger *v.* United States, 13 Ct. Cust. Appls. 22; 269 U.S. 564.
Lippmann, Spier & Hahn, United States, *v.*, 11 Ct. Cust. Appls. 336; 260 U.S. 739, 742.
Lorillard & Co., Inc. *v.* United States, 24 CCPA 90; 299 U.S. 586.
McGraw Wool Co., United States, *v.*, 19 CCPA 205; 285 U.S. 553.
McLaughlin & Freeman *v.* United States, 21 CCPA 446; 293 U.S. 557.
Marks Co. *v.* United States, 28 CCPA 286; 343 U.S. 584.
Marks Co. *v.* United States, 12 Ct. Cust. Appls. 110; 266 U.S. 625.
Mason, Inc., United States *v.*, 51 CCPA 107; 379 U.S. 999.
Matsushito Electric Industrial Co. *v.* United States, 60 CCPA 85; 414 U.S. 821.
Mayers, Osterwald & Muhfeld, Inc. *v.* D. F. Bendler & U.S., 18 CCPA 117; 283 U.S. 828.
Metropolitan Petroleum Corp., United States *v.*, 42 CCPA 38; 348 U.S. 858.
Michelson & Co., United States *v.*, 12 Ct. Cust. Appls. 402; 267 U.S. 603.
Meyers & Co., Inc., United States *v.*, 24 CCPA 464; 302 U.S. 714.
National Starch Products, Inc., United States *v.*, 50 CCPA 1; 373 U.S. 923.
Neumann-Endler, Inc. *v.* United States, 27 CCPA 306; 310 U.S. 649.

Pan American Standard Brands, Inc., United States, *v.*, 51 CCPA 107; 379 U.S. 999.
Park & Tilford Import Corp. *v.* United States, 26 CCPA 342; 307 U.S. 645.
Pennsylvania Salt Mfg. Co., United States *v.*, 26 CCPA 232; 306 U.S. 646.
Perez, United States *v.*, 36 CCPA 114; 338 U.S. 827.
Pillsbury Flour Mills Co., United States *v.*, 25 CCPA 351; 304 U.S. 582.
Porto Rico Brokerage Co. *v.* United States, 23 CCPA 259; 298 U.S. 671.
Procter & Gamble Mfg. *v.* United States, 19 CCPA 415; 287 U.S. 629.
Rathjen Bros., United States *v.*, 31 CCPA 70; 320 U.S. 797.
Refractarios Monterrey, S.A. *v.* Ferro Corp., et al, 67 CCPA 153; *cert denied* 445 U.S. 943, 205 USPQ 488 (1980).
Richardson Co., United States *v.*, 36 CCPA 15; 336 U.S. 936.
Rifkin Textiles Corp. *v.* United States, 54 CCPA 138; 389 U.S. 931.
Rosenbaum Grain Corp. *v.* United States, 26 CCPA 202; 307 U.S. 629.
Salomon & Bros. *v.* United States, 26 CCPA 302; 307 U.S. 633.
Sandoz Chemical Works *v.* United States, 13 Ct. Cust. Appls. 466; 271 U.S. 677.
Savannah Sugar Refining Corp. *v.* United States, 20 CCPA 227; 288 U.S. 615.
Schenley Import Corp., United States *v.*, 34 CCPA 74; 302 U.S. 782.
Schieffelin Co. *v.* United States, 57 CCPA 66; 400 U.S. 869.
Schmidt Pritchard & Co., United States *v.*, 47 CCPA 152; 364 U.S. 919.
Sears, Roebuck & Co., United States *v.*, 20 CCPA 295; 290 U.S. 633.
S. Stern & Co. *v.* United States, 51 CCPA 15; 377 U.S. 909.
Standard Oil Co. of New Jersey *v.* United States, 29 CCPA 82; 314 U.S. 669.
Star Industries, Inc., United States *v.*, 59 CCPA 159; 409 U.S. 1076.
Stephenson, United States *v.*, 52 CCPA 17; 382 U.S. 814.
Stone & Downer Co. *v.* United States, 19 CCPA 259; 287 U.S. 619.
Straub & Co., United States *v.*, 41 CCPA 209; 348 U.S. 823.
Tuscany Fabrics *v.* United States, 49 CCPA 77; 409 U.S. 845.
Vandegrift & Co., United States *v.*, 18 CCPA 356; 284 U.S. 623.
Veolay, Inc. *v.* United States, 32 CCPA 101; 297 U.S. 711.
Von Damm *v.* United States, 25 CCPA 97; 302 U.S. 722.
Weigert-Dagen, United States *v.*, 39 CCPA 58; 342 U.S. 947.
Whelan & Sons *v.* United States, 39 CCPA 168; 344 U.S. 818.
Wilbur-Ellis Co. *v.* United States, 187 CCPA 472; 284 U.S. 623.
Willoughby Camera Stores, Inc., United States *v.*, 21 CCPA 322; 292 U.S. 640.
Wislar *v.* United States, 26 CCPA 138; 305 U.S. 629.
Zenith Radio Corporation *v.* United States and Montgomery Ward & Co., Incorporated, 69 CCPA 96; 459 U.S. 943, 103 S.Ct. 256, 74 L.ED.2d 200; *cert. denied,* Oct. 18, 1982.

[illegible]

Cases Adjudged in United States Court of Appeals for the Federal Circuit

---

SOUTH CORP. AND SEAL FLEET, INC., APPELLANTS *v.* THE UNITED STATES, APPELLEE

Appeal No. 82-19

690 F.2d 1368

(Decided: October 28, 1982)

John K. Meyer argued for appellants. With him on the brief was Hinds & Meyer.

Madeline B. Kuflik argued for appellee. With her on the brief were Assistant Attorney General *J. Paul McGrath*, Director *David M. Cohen*, and Attorney in Charge *Joseph I. Liebman*.

Before MARKEY, *Chief Judge,* FRIEDMAN, RICH, DAVIS, BALDWIN, KASHIWA, BENNETT, MILLER, SMITH, and NIES, *Circuit Judges.*

MARKEY, *Chief Judge.*

This appeal is the first to be heard, and this opinion the first to be published, by the United States Court of Appeals for the Federal Circuit, established October 1, 1982 by the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

The court sits in banc to consider what case law, if any, may appropriately serve as established precedent. We hold that the holdings of our predecessor courts, the United States Court of Claims and the United States Court of Customs and Patent Appeals, announced by those courts before the close of business September 30, 1982, shall be binding as precedent in this court.

Respecting the merits, South Corporation (South) and Seal Fleet, Inc. (Seal) appeal from a judgment of the United States Court of International Trade (Edward D. Re, Chief Judge), upholding the imposition of foreign repair duties under 19 U.S.C. § 1466(a).[1] We affirm that judgment.

BACKGROUND

The parties stipulated that the involved vessels were at all material times: (a) engaged exclusively in oceanographic research and intended solely for that purpose; and (b) designed and used primarily for purposes other than transporting passengers or property in the foreign or coasting trade.

---

[1] That section provides in pertinent part:

> § 1466. Equipment and repairs of vessels (a) Vessels subject to duty; penalties. The equipments, or any part thereof, including boats, purchased for, or the repair parts or materials to be used, or the expenses of repairs made in a foreign country upon a vessel documented under the laws of the United States to engage in the foreign or coasting trade, or a vessel intended to be employed in such trade, shall, on the first arrival of such vessel in any port of the United States, be liable to entry and the payment of an ad valorem duty of 50 per centum on the cost thereof in such foreign country.

South's vessel M/V *North Seal* departed the United States on July 18, 1972 and was on a foreign voyage until its return to the United States on December 23, 1972. Repairs costing $98.40 were made on December 2, 1972 at Montego Bay, Jamaica. Duty of $49.20 was assessed and paid under § 1466(a).

Seal's vessel M/V *Atlantic Seal* departed the United States in December 1970. Repairs were made on December 29, 1970 and on January 2, January 22, and February 9, 1971, all at Ancona, Italy, at a total cost of $3,274.10. Duty totalling $1,637.05 was assessed and paid under § 1466(a).

South and Seal timely protested the duties. When Customs overruled the protests, South and Seal each filed an action for refund in the United States Court of International Trade. The court consolidated the causes and, holding that the repair duties were properly assessed and imposed, dismissed the consolidated action.

ISSUE

The sole issue on the merits is whether error occurred in upholding imposition of repair duties under 19 U.S.C. § 1466(a).

OPINION

I. *Choice of Governing Law.* As a foundation for decision in this and subsequent cases in this court, we deem it fitting, necessary, and proper to adopt an established body of law as precedent. That body of law represented by the holdings of the Court of Claims and the Court of Customs and Patent Appeals announced before the close of business on September 30, 1982 is most applicable to the areas of law within the substantive jurisdiction of this new court. It is also most familiar to members of the bar. Accordingly, that body of law is herewith adopted by this court sitting in banc.[2]

To proceed without precedent, deciding each legal principle anew, would for too long deprive the bar and the public of the stability and predictability essential to the effort of a free society to live under a rule of law. As the Supreme Court said in *Moragne* v. *States Marine Lines, Inc.*, 398 U.S. 375 (1970):

> Very weighty considerations underlie the principle that courts should not lightly overrule past decisions. Among these are the desirability that the law furnish a clear guide for the conduct of individuals, to enable them to plan their affairs

---

[2] It is appropriate that the court adopt its substantive law precedents in a judicial decision accompanied by a published opinion. The Rules of the court are designed to provide procedural guidance and would be an inappropriate locale in which to repose the jurisprudential bases of the court's future decisions.

The present adoption does not affect the power of this court, sitting in banc, to overrule an earlier holding with appropriate explication of the factors compelling removal of that holding as precedent. If conflict appears among precedents, in any field of law, it may be resolved by the court in banc in an appropriate case.

> with assurance against untoward surprise; the importance of furthering fair and expeditious adjudication by eliminating the need to relitigate every relevant proposition in every case; and the necessity of maintaining public faith in the judiciary as a source of impersonal and reasoned judgments.

Id. at 403.

The considerations listed by the Court as underlying restraint upon the power to overrule are applicable equally to the power to start afresh. An orderly administration of justice would not be aided by the latter course. For every panel of judges of this court to examine anew every issue presented would be a practice devoid of counterbalancing advantage. Such an alternative, "start from scratch" approach would entail years of delay in constructing a body of law worthy of description as the law of the circuit. We choose therefore to begin on a readily available and clearly identifiable base, maintaining at the same time a controlled capacity for change when change is compelled.

The adoption of precedents here announced continues the stability in those areas of the law previously within the jurisdiction of our predecessor courts. That jurisprudence was established in great part by judges now members of this court. The public and the bar have presumably structured their legal affairs in accordance with that jurisprudence. To abandon it at this stage would be to cast the court, the public, and the bar adrift on a sea of uncertainty.

Other than that created by our predecessor courts, no body of law established by any other court or set of courts would appear a suitable candidate for adoption. No other such body would include all or as many of the areas of law with which this court will be dealing. In some areas new to this court, selection of one from many available bodies of law would require an immediate rush to resolution of numerous conflicts existing among them; yet resolution of conflict, a major element in this court's mission, requires not a one-shot selection but a careful, considered, cautious, and contemplative approach.

As a court of nationwide geographic jurisdiction, created and chartered with the hope and intent that stability and uniformity would be achieved in all fields of law within its substantive jurisdiction, we begin by adopting as a basic foundation the jurisprudence of the two national courts which served not only as our predecessors, but as outstanding contributors to the administration of justice for a combined total of 199 years, the Court of Claims and the Court of Customs and Patent Appeals.

II. *Imposition of Repair Duties under 19 U.S.C. § 1466(a).* 19 U.S.C. § 1466(a) imposes a duty on repairs performed in a foreign country upon vessels documented under our laws "to engage in the foreign * * * trade" or "intended to be employed in such trade." South and Seal concede that the present vessels are documented and are entitled to engage in trade, but contend that repairs to them are outside the scope of § 1466(a) because the phrase "to engage" means "for the purpose of engaging" and the vessels are not documented for that purpose.

The argument rests on a misconstruction of the dichotomy in the statute. It is, moreover, in conflict with the statute's legislative history.

Section 1466(a) plainly and unambiguously applies to repair of a vessel which is either documented to engage in trade *or* is intended to be employed in trade. South and Seal cite nothing in the legislative history that would indicate a congressional intent that "documented to engage" should be read as "documented for the purpose of engaging," if the latter phrase has a meaning different from that appearing in the statute.[3] Nor is there anything in the record to indicate that the vessel owner's individual "purpose" is in any manner relevant when a vessel is "documented to engage in foreign * * * trade."

Moreover, an argument based on an effort to rewrite the statutory phrase "to engage" as "for the purpose of engaging" involves a disregard of the term "or" and the phrase "intended to be employed in such trade" in the statute. The particular purpose or intent of the vessel owner is not a part of the present documentation. That the owner of a vessel documented to engage in trade may elect not to so employ that vessel, or may never have intended so to employ it, is simply irrelevant. Intent appears in the statute only in relation to non-documented vessels. The statutory provision is not concerned with vessels that are neither documented nor intended to engage in trade. Thus application of the concept of intended use to repairs on vessels documented to engage in trade *and* to repairs on vessels not documented to engage in trade would inject a new category into the statute, i.e., vessels documented only to engage in trade but not intended to be so engaged. The plain language of the statute, however, spells out a dichotomy between vessels "documented to engage in trade" (whatever may be the changeable purpose of the vessel owner) and vessels not documented but "intended to be employed" in trade.

Thus, once it is established that a vessel is documented only to engage in trade, inquiry into whether that vessel is also actually engaged in trade, or is also intended to be employed or engaged in trade, or into the vessel owner's purpose, is unnecessary and irrelevant. Though courts may disregard a term's literal meaning where it is evident that a special or limited meaning is necessary to effectuate the legislative intent, *Malat* v. *Riddell*, 383 U.S. 569, 571 (1966), there is no such or similar basis here for requiring a disregard of the disjunctive meaning of the statutory term "or" and the clear division it makes in the statute between a category of vessels documented to engage in trade and a category of vessels not documented but intended to be employed in trade, or for requiring an application of the concept of intent or purpose to both the former *and* the latter categories.

---

[3] The argument is viewable as an effort to substitute a synonym. An authorization obtained "to" do something is indistinguishable from an authorization obtained "for the purpose of" doing the same thing. An intent not to do the thing authorized does not change the authorization.

Construing the similar phrasing of Section 22(b) [4] of the Agricultural Adjustment Act in *United States* v. *The Best Foods, Inc.*, 47 CCPA 163 (1960), the Court of Customs and Patent Appeals, finding the language of that section unambiguous and in accord with the legislative history, concluded that there is "no basis for construing the disjunctive 'or' in this statute as the conjunctive 'and'." *Id.* at 169. The court held in that case therefore that Section 22(b) does not permit duties *and* quotas, just as we hold here that § 1466(a) does not permit the application of intent or purpose to trade-documented *and* non-trade-documented vessels.

Thus this case, turning as it does on an issue of statutory construction, is controlled by the interpretative approach of *Best Foods,* an earlier holding within the body of precedents adopted today. Though the court here sits in banc, and is thus positioned to overrule that holding, it perceives no reason so to do in this case.

Beyond the plain meaning of the statutory phrase "documented to engage in the foreign * * * trade", its legislative history makes clear the intent of Congress. In enacting § 1466(a) Congress sought to protect and encourage American ship repair facilities.[5] Imposing duties for foreign repairs upon vessels which are *either* documented to engage in foreign trade *or* are non-documented but nonetheless intended to engage in trade, is wholly consistent with that intent. Thus, imposition of duties on repair of the vessels here involved, which are documented but not intended to be employed in trade is fully consistent with the purpose of the statute.

The registration, i.e., documentation, of a vessel is not compulsory. Properly documented American vessels are accorded benefits not otherwise available, 46 U.S.C. § 221,[6] but exemption from repair duties is not one of those benefits. South and Seal elected to document their vessels and thereby to acquire the benefits of documentation. An interpretation of the statute that would enable avoidance of repair duties payable by owners of documented vessels would impermissibly expand the range of benefits provided for in § 221.

South and Seal rely on *Corpus Company* v. *United States,* 350 F. Supp. 1397 (1972), *appeal dismissed,* 60 CCPA 185 (1973), wherein the Customs Court (now the Court of International Trade), in applying § 1466 to documented oceanographic research vessels, said:

---

[4] Section 22(b) provides in pertinent part:

> Sec. 22(b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such fees * * * of 50 percentum ad valorem or such quantitative limitations * * *.

[5] *See* Senate Hearings on H.R. 2667, 71st Cong., 1st Sess., Vol. XVII at 537–46 (1929); S. Rep. No. 37, 71st Cong., 1st Sess. 72 (1929); S. Rep. No. 91-1474, 91st Cong., 2d Sess. (1970), *reprinted in* U.S. Code Cong. & Ad. News 5910, 5912.

[6] § 221 provides in pertinent part:

> § 221. Vessels of United States and officers defined; officers to be citizens.
>
> Vessels registered pursuant to law and no others, except such as shall be duly qualified according to law for carrying on the coasting or fishing trade, shall be deemed vessels of the United States, and entitled to the benefits and privileges appertaining to such vessels . . . .

> Where a vessel does not engage in trade, is not intended to engage in trade, and indeed is physically incapable of engaging in trade, its repairs are not dutiable under Section 466.

350 F. Supp. at 1402.

Corpus Company does not, of course, constitute precedent in this court. Whatever may have been the merits of the decision there rendered, the court in that case was construing § 1466 as it existed before the addition thereto of subsection (e) in January 1971.[7] The present case involves repairs made after that date. In a more recent case, ***Elizabeth River Terminals*** v. ***United States,*** 509 F. Supp. 512 (1981), the Court of International Trade reexamined *Corpus Company* in light of the 1971 amendment and rejected the view that documented vessels which do not engage in trade are never dutiable under § 1466(a), pointing out that a contrary interpretation would violate rules of statutory interpretation. Chief Judge Re found the reasoning of ***Elizabeth River*** equally applicable to the present case and described as incorrect what he viewed as dicta in *Corpus Company* relating to the import of subsection (e)'s legislative history.

Moreover, enactment of § 1466(e) in 1971 manifested Congress' understanding that repairs to oceanographic vessels were subject to duty under § 1466(a). S. Rep. No. 91-1474, 91st Cong., 2d Sess. (1970), *reprinted in* U.S. Code Cong. & Ad. News 5910, 5911, outlining the purposes of subsection (e), expressly included oceanographic vessels within the class of special service vessels intended to be exempt from repair duties if the length of absence from the United States and elapsed time before repair criteria of § 1466(e) are satisfied:[8]

> EXPLANATION OF COMMITTEE AMENDMENT
>
> [T]he committee agrees with a recommendation of the Treasury Department that the relief from tariffs provided by this bill should be extended to noncargo carrying "special purpose" vessels.
>
> * * * * * * *
>
> This amendment is intended to relieve from a 50-percent ad valorem tax on the value of repairs made, and equipment purchased, in foreign countries, those American shrimp *and other vessels* which must be away from U.S. ports for extended peri-

---

[7] § 1466(e) provides:

(e) Vessels used primarily for purposes other than transporting passengers or property in the foreign or coasting trade. In the case of any vessel designed and used primarily for purposes other than transporting passengers or property in the foreign or coasting trade which arrives in a port of the United States two years or more after its last departure from a port of the United States, the duties imposed by this section shall apply only with respect to (1) fish nets and netting, and (2) other equipments, and parts thereof, and repair parts and materials purchased, or repairs made, during the first six months after the last departure of such vessel from a port of the United States.

[8] South and Seal concede that those criteria are not satisfied with respect to the repairs involved in this case.

> ods of time and which during the course of that time must make normal repairs * * *. Besides shrimp boats, the amendment would apply only to "special service vessels," such as barges, oil drilling vessels, *oceanographic vessels* * * *. [Italic ours]

South and Seal argue that Congress' understanding was based on mistake, and that the foregoing Senate Committee report merely reflects Congress' adoption of a mistaken representation of the Treasury Department that oceanographic vessels were at that time subject to and required relief from payment of repair duties. The argument rests on two assumptions: (1) that Congress was unaware of earlier contrary holdings of the Court of International Trade; and (2) that Congress would necessarily have declined to exempt oceanographic vessels if it had been aware of those holdings. Because this court does not sit to correct alleged "mistakes" of Congress, the argument, were it soundly based, would necessarily fail.

The argument is not sound. It is true that at the time subsection (e) was under consideration, § 1466(a) had been construed by trial courts[9] as inapplicable to non-trading vessels. Congress, however, was certainly not bound to honor that construction. Assuming for the moment that Congress was unaware of those earlier court decisions, and that it adopted Treasury's view in ignorance of them, it cannot be further assumed that Congress, if things had been otherwise, would have adopted the judicial view and rejected that of Treasury.

As above indicated, correction of legislative mistakes, if mistake there be, is under our Constitution a matter left not to judicial but to legislative discretion, particularly where, as here, application of the statute as written does no violence to its clear legislative purpose. As the Court of International Trade recognized in *Elizabeth River*, supra, and in the present case, the amendment of the statute, giving a limited exemption to certain vessels, clearly demonstrated that Congress' purpose was to continue the dutiability of repairs to those vessels when the exemption criteria are not met.

Moreover, adoption of South's and Seal's construction of § 1466(a), under which repairs to their vessels could not under any circumstances have been dutiable in 1971, would impermissibly impute a useless act to Congress. That construction must therefore be viewed as unsound and rejected. *See John B. Hewett Co.* v. *United States*, 48 CCPA 24 (1960). If § 1466(a) would not have imposed duties at any time for repairs to any non-trading vessel, there would have been no need in 1971 for exemption and Congress' enactment of subsection (e) with its specific criteria must accordingly have been an unnecessary and thus a useless act. Hence adoption of that construction would require a total disregard of the court's function as described in *Beaver Products Co.* v. *United States*, 17 CCPA 434 (1930), *accord, United States* v. *Corning Glass Works*, 586 F. 2d 822 (CCPA 1978), i.e., to harmonize statutory tariff provisions in such manner as to preserve each provision and to achieve the legislature's purpose.

---

[9] In addition to *Corpus Company*, supra, South and Seal cite *S. F. Bar Pilots Ass'n.* v. *United States*, 64 Treas. Dec. 682, T.D. 46787 (Cust. Ct. 1933) and *Standard Dredging Co.* v. *United States*, 67 Treas. Dec. 229, T.D. 48136 (Cust. Ct. 1936).

South and Seal seek to extend the holdings in *United States* v. *Western Operating Corp.*, 35 CCPA 71 (1947), and *United States* v. *American Whaling Co.*, 38 CCPA 164 (1951), in which recognition was given to the special statutory treatment of whaling vessels under R.S. § 4339 (46 U.S.C. 280). It was held that by virtue of that provision, whaling vessels were exempted from § 1466(a) regardless of documentation. Those decisions did no more than give effect to the express intent of Congress and cannot be read as precedent endorsing a general exemption for all non-trading vessels which hold documents entitling them to engage in foreign trade.

Finally, South and Seal say the Oceanographic Research Vessels Act (ORVA), 46 U.S.C. §§ 441–445, specifically § 443[10] (oceanographic research vessels not deemed engaged in trade), removes those vessels from the ambit of § 1466.

We disagree. Enacted to exempt research vessels from strict inspection and personnel protection laws mandated for commercial crews, ORVA relates to safety and personnel matters. It has been repeatedly held that statutes and regulations involving non-tariff matters, such as public safety, have no bearing upon statutes involving the assessment and imposition of duties. *United States* v. *Mercantil Distribuidora*, 43 CCPA 111 (1956); *International Spring Mfg. Co.* v. *United States*, 496 F. Supp. 279 (Cust. Ct. 1980), *aff'd*, 641 F.2d 875 (CCPA 1981); *Pharmacia Laboratories* v. *United States*, 609 F.2d 491, 493 (CCPA 1979). Further, the argument rests on the fallacy that § 1466(a) applies only to repairs of documented vessels actually engaged in trade. Lastly, because ORVA was enacted six years before the addition of subsection (e) to § 1466, the foregoing discussion of the effect of that addition on interpretation of § 1466(a) is equally applicable here, i.e., to hold that ORVA had exmpted repairs to oceanographic vessels would be to render the later enactment of subsection (e) a useless act.

CONCLUSION

Because: (a) the statute provides for imposition of duties on repair of vessels documented to engage in foreign trade; (b) the vessels of South and Seal are so documented; (c) engagement or intended employment as non-trading vessels are considerations inapplicable to vessels so documented; (d) the vessels here involved do not meet the exemption criteria of § 1466(e); and (e) imposition of the present repair duties is consistent with the plain meaning of the statute and with its legislative history and purpose, the judgment appealed from must be and is *affirmed.*

---

[10] § 443 provides:

§ 443. Vessel not engaged in trade or commerce.

An oceanographic research vessel shall not be deemed to be engaged in trade or commerce.

SIEMENS AMERICA, INC., ET AL., APPELLANTS v. THE UNITED STATES, APPELLEE

Appeal No. 82-12

692 F.2d 1382

(Decided: November 12, 1982)

Louis Schneider argued for appellants. With him on the brief was *Freeman, Wasserman & Schneider.*

Madeline B. Kuflik argued for appellee. With her on the brief was Assistant Attorney General *J. Paul McGrath.*

Before RICH, *Circuit Judge,* COWEN, *Senior Circuit Judge* and KASHIWA, *Circuit Judge.*

RICH, *Circuit Judge.*

This appeal is from the decision and judgment of the United States Court of International Trade, 2 CIT 136, Slip. Op. 81-91 (October 7, 1981), on remand from the United States Court of Customs and Patent Appeals (CCPA), in *United States* v. *Siemens America, Inc.,* 84 Cust. Ct. 180, C.D. 4856, 496 F. Supp. 266 (1980), *rev'd,* 68 CCPA 62, C.A.D. 1266, 653 F.2d 471 (1981), holding that an established and uniform practice to classify the merchandise at issue (surge voltage protectors [SVPs] under TSUS item 687.60 did not exist within the meaning of 19 USC 1315(d) and that, therefore, no published notice was required before the Customs Service imposed a higher rate of duty under TSUS item 685.90. We affirm the judgment dismissing the action.

BACKGROUND

Familiarity is presumed with the background of this case, as found in the opinions cited above.

Nothwithstanding the CCPA ruling that the merchandise is properly classified under TSUS item 685.90, the sole issue on this second appeal is the validity of appellants' contention, considered on remand from the CCPA, that such classification is not applicable to appellants' importations because the Customs Service change in classification of the SVPs to item 685.90 from item 687.60 was a change in an "established and uniform practice" as contemplated by 19 USC 1315(d) which, therefore, required notice by publication before it could become effective.

OPINION

The Court of International Trade stated that "plaintiffs do not contend that the letter of July 27, 1970 contains a *finding* of an established and uniform practice respecting the classification of SVPs." (Italic ours.) Nor do they so contend in this court. It is here argued that the letter ruling "mandated the establishment of a uniform practice," that it "[created] a uniform practice," and that it "established in fact this uniform practice."

As noted by the government, however, the statement in the unpublished letter ruling that "This decision is being circulated to all Customs Officers in order that the merchandise may be uniformly so classified at each port at which it may be entered," is a practice which is necessary in order to conform with the constitutional mandate that "all Duties, Imposts and Excises shall be uniform throughout the United States." U.S. Const. art. I, § 8, cl. 1. Accordingly, this does not aid appellants in their argument that from that letter ruling alone "there resulted an established and uniform practice."

Notwithstanding that appellants cannot point to a "finding" by the Secretary of an established and uniform practice, they contend that distribution of the letter ruling and the subsequent liquidation of approximately 100 entries under item 687.60 over a period of almost two years at the Port of New York created an established and uniform practice as to the classification of the SVPs.

Assuming, *arguendo,* that a "finding" by the Secretary is not a prerequisite to application of 19 USC 1315(d), *c.f. Ditbro Pearl Co.* v. *United States,* 62 CCPA 95, C.A.D. 1152, 515 F.2d 1157 (1975), we agree with the Court of International Trade that appellants have nevertheless failed to sustain their burden of proving that there existed an established and uniform practice of classifying the SVPs under TSUS item 687.60.

Appellants' efforts at trial centered almost exclusively on attempting to establish erroneous classification of the SVPs on the basis of expert testimony as to their physical attributes, and the record, at best, shows only that for two years appellants' imported SVPs were uniformly classified at the Port of New York and that, thereafter, they were classified under TSUS item 685.90.[1] Further, as noted by the trial court, appellants failed to prove that they were the sole importer of SVPs and that SVPs were imported solely at the Port of New York.

Because the *unpublished* letter ruling cannot make up for the insufficiency of appellants' evidence, the judgment of the trial court is *affirmed.*

---

[1] We say "at best" because although a witness for appellants testified that after the letter ruling "Approximately a hundred entries, covering the time of two years" were liquidated pursuant to TSUS item 687.60, the record also indicates that during the first five months of 1970 a number of entries were liquidated under TSUS item 685.90. Those liquidations were protested before the issuance of the letter ruling, but the protests were *denied* almost five months *after* its issuance.

ALCAN SALES, DIV. OF ALCAN ALUMINUM CORP., APPELLANT v. THE UNITED STATES, APPELLEE

Appeal No. 82-17

693 F.2d 1089

(Decided: November 18, 1982)

David O. Elliott argued for appellant. With him on the brief were *Rufus E. Jarman, Jr., Michael A. Johnson* and *Barnes, Richardson & Colburn.*

David M. Cohen argued for appellee. With him on the brief was Assistant Attorney General *J. Paul McGrath.*

Before MARKEY, *Chief Judge,* BENNETT and SMITH, *Circuit Judges.*

BENNETT, *Circuit Judge.*

This is an appeal from a decision of the United States Court of International Trade, *Alcan Sales* v. *United States,* 528 F. Supp. 1159 (Ct. Int'l Trade 1981). The court below held that Proclamation No. 4074, 85 Stat. 926 (1971), which established a 10-percent ad valorem duty on dutiable imports, was a valid exercise of the authority delegated to the President by the Trading With the Enemy Act, 50 U.S.C. app. § 5(b), to regulate imports at a time of declared national emergency. The court below also held that section 9(a) of the Trading With the Enemy Act does not require the government to return the surcharges collected under Presidential Proclamation 4074, as that section is inapplicable to the regulatory provisions of section 5(b). The United States Court of International Trade therefore granted the government's motion for summary judgment. We affirm.

During the summer of 1971, the United States was faced with an economic crisis. The nation suffered under an exceptionally severe and worsening balance of payments deficit. The gold reserve backing of the U.S. dollar had dropped from $17.8 billion in 1960 to less than $10.4 billion in June of 1971, reflecting a growing lack of confidence in the U.S. dollar abroad. Foreign exchange rates were being controlled by some of our major trading partners in such a way as to overvalue the U.S. dollar. That action, by stimulating U.S. imports and restraining U.S. exports, contributed substantially to the balance of payments deficit.[1]

As part of a program to deal with this economic crisis, the President, on August 15, 1971, issued Proclamation No. 4074, 85 Stat. 926, which established an additional 10-percent ad valorem duty upon dutiable articles imported into the United States.[2] Less than

---

[1] The preceding account of the economic situation facing the United States in 1971 is taken verbatim from *United States* v. *Yoshida Int'l, Inc.,* 526 F.2d 560, 567 (CCPA 1975) (footnotes omitted).

[2] Presidential Proclamation 4074 states in relevant part that:

"Whereas, there has been a prolonged decline in the international monetary reserves of the United States, and our trade and international competitive position is seriously threatened and, as a result, our continued ability to assure our security could be impaired;

Continued

5 months later, on December 20, 1971, the surcharge program was terminated by Proclamation No. 4098, 3 C.F.R. 116 (1971 Comp.). The reason for ending the surcharge program was the formulation of a multilateral agreement (the "Smithsonian Agreement") among the major industrial nations that gave promise of ending the balance of payments problem. *See United States* v. *Yoshida International, Inc.*, 526 F.2d 560, 568–69 (CCPA 1975).

Unfortunately, the termination of Presidential Proclamation 4074 did not end the controversy surrounding the surcharge program. Many importers subsequently challenged the validity of Proclamation 4074, alleging that it was an *ultra vires* presidential act. The United States Court of Customs and Patent Appeals, however, held that Presidential Proclamation 4074 was a valid exercise of the authority delegated to the President by section 5(b) of the Trading With the Enemy Act[3] (TWEA) to regulate imports at a time of declared national emergency. *See Alcan Sales* v. *United States*, 534 F.2d 920 (CCPA), *cert. denied*, 429 U.S. 986 (1976); *Yoshida*, 526 F.2d at 584.

Following the *Yoshida* and *Alcan Sales* decisions, several importers initiated a new wave of litigation in the federal district courts. The basis for their actions was section 9(a) of the TWEA, which permits persons who are not enemies or allies of enemies to seek recovery of property seized under the TWEA.[4] Those plaintiffs con-

---

[2] *Continued*

"Whereas, the balance of payments position of the United States requires the imposition of a surcharge on dutiable imports;

* * * * * *

"A. I hereby declare a national emergency during which I call upon the public and private sector to make the efforts necessary to strengthen the international economic position of the United States.

"B. (1) I hereby terminate in part for such period as may be necessary and modify prior Presidential Proclamations which carry out trade agreements insofar as such proclamations are inconsistent with, or proclaim duties different from, those made effective pursuant to the terms of this Proclamation.

"(2) Such proclamations are suspended only insofar as is required to assess a surcharge in the form of a supplemental duty amounting to 10 percent ad valorem. Such supplemental duty shall be imposed on all dutiable articles * * * provided, however, that if the imposition of an additional duty of 10 percent ad valorem would cause the total duty or charge payable to exceed the total duty or charge payable at the rate prescribed in column 2 of the Tariff Schedules of the United States, then the column 2 rate shall apply." [Proclamation No. 4074, 85 Stat. 926, 926–27 (1971).]

[3] Section 5(b) provides in relevant part that:

"(b)(1) During the time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, and under such rules and regulations as he may prescribe, by means of instructions, licenses, or otherwise—

> "(A) Investigate, regulate, or prohibit, any transactions in foreign exchange, transfers of credit or payments between, by, through, or to any banking institution, and the importing, exporting, hoarding, melting, or earmarking of gold or silver coin or bullion, currency or securities, and
>
> "(B) Investigate, regulate, direct and compel, nullify, void, prevent or prohibit, any acquisition holding, withholding, use, transfer, withdrawal, transportation, importation or exportation of, or dealing in, or exercising any right, power, or privilege with respect to, or transactions involving, any property in which any foreign country or a national thereof has any interest,

"by any person, or with respect to any property, subject to the jurisdiction of the United States; and any property or interest of any foreign country or national thereof shall vest, when, as, and upon the terms, directed by the President, in such agency or person as may be designated from time to time by the President, and upon such terms and conditions as the President may prescribe such interest or property shall be held, used, administered, liquidated, sold, or otherwise dealt with in the interest of and for the benefit of the United States * * * ." [50 U.S.C. app. § 5(b) (1976).]

Section 5(b) was amended in 1977, Act of Dec. 28, 1977, Pub. L. No. 95–223, tit. I, §§ 101(a), 102, 103(b), 91 Stat. 1625, 1625–26, but the amendment is not pertinent to the issues presented in this litigation.

[4] Section 9(a) provides in relevant part that:

"(a) Any person not an enemy or ally of enemy claiming any interest, right, or title in any money or other property which may have been conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian or seized by him hereunder and held by him or by the Treasurer of the United States * * * may file with the said custodian a notice of his claim under oath and in such form and containing such particulars as the said

Continued

tended that section 9(a) requires the government to return property taken under either the seizure or regulatory provisions of section 5(b) upon a showing of no enemy interest in that property. The courts that were confronted with this issue, however, held that section 9(a) does not apply to the regulatory provisions of section 5(b). *See Cornet Stores* v. *Morton,* 632 F.2d 96 (9th Cir. 1980), *cert. denied,* 451 U.S. 937 (1981); *Henry Pollak, Inc.* v. *Blumenthal,* 444 F. Supp. 56 (D.D.C. 1977), *aff'd mem.,* 593 F.2d 1371 (D.C. Cir. 1979), *cert. denied,* 444 U.S. 836 (1979). Because no section 9(a) claim was presented, the *Cornet Stores* and *Henry Pollak* courts held that litigation involving the surcharge program did not belong in district court, but was within the exclusive jurisdiction of the United States Customs Court under 28 U.S.C. § 1582 (1976).[5]

In response to these decisions, Alcan Sales instituted this action in the United States Court of International Trade (formerly the United States Customs Court) seeking the return of its surcharge payments under section 9(a) of the TWEA. The court held that the TWEA confers two distinct and independent powers upon the President: (1) the power to regulate; and (2) the power to seize and hold property. *See Alcan Sales* v. *United States,* 528 F. Supp. 1159, 1162 (Ct. Int'l Trade 1981). Section 9(a)'s application, however, is limited to actions involving an exercise of the President's seizure or vesting powers under section 5(b). Because the import surcharge program was authorized by section 5(b)'s regulatory provisions, it did not constitute a vesting within the meaning of section 5(b). Therefore, the court held that section 9(a) was inapplicable to appellant's action. The court did not purport to have any jurisdiction under section 9(a), and indeed it does not. If a section 9(a) claim had been presented, then appellant's exclusive remedy would have been in the federal district courts. *See* 50 U.S.C. app. §§ 7(c), 9(a) (1976).

The issue in this appeal is whether section 9(a) of the Trading With the Enemy Act (TWEA) is applicable to those provisions of section 5(b) of the TWEA that empower the President to regulate foreign trade. Every court to consider this issue has determined that it is not. *See Cornet Stores,* 632 F.2d at 97–98, 98 n.2; *Pollak,* 444 F. Supp. at 59 n.2. We agree with those decisions as well as the one now under review.

---

[4] *Continued*

custodian shall require; and the President, if application is made therefor by the claimant, may order the payment, conveyance, transfer, assignment, or delivery to said claimant of the money or other property so held by the Alien Property Custodian or by the Treasurer of the United States, or of the interest therein to which the President shall determine said claimant is entitled: *Provided,* That no such order by the President shall bar any person from the prosecution of any suit at law or in equity against the claimant to establish any right, title, or interest which he may have in such money or other property. If the President shall not so order within sixty days after the filing of such application or if the claimant shall have filed the notice as above required and shall have made no application to the President, said claimant may institute a suit in equity in the United States District Court for the District of Columbia or in the district court of the United States for the district in which such claimant resides * * *." [50 U.S.C. app. § 9(a) (1976).]

[5] The Customs Courts Act of 1980 changed the name of the United States Customs Court to the United States Court of International Trade. Also, section 28 U.S.C. § 1582 was repealed and replaced by 28 U.S.C. § 1581. *See* Customs Courts Act of 1980, Pub. L. No. 96–417, §§ 101, 201, 94 Stat. 1727, 1727–29.

When the Trading With the Enemy Act was first enacted in 1917 its application was restricted to wartime. *See* Act of Oct. 6, 1917, ch. 106, 40 Stat. 411. The purpose of the Act was to enable the President to prohibit trade with wartime enemies and to seize enemy-owned property. *See Pollak,* 444 F. Supp. at 59. In order to insure that U.S. citizens would have a remedy if their property was seized under the TWEA, Congress enacted section 9(a), which established an administrative and judicial procedure by which persons who were not enemies or allies of enemies could seek recovery of property seized under the TWEA. In 1933 and again in 1941, however, Congress greatly expanded the scope of the President's powers under section 5(b) of the TWEA. *See* Act of March 9, 1933, ch. 1, § 2, 48 Stat. 1, 1-2; Act of Dec. 18, 1941, ch. 593, tit. III, § 301, 55 Stat. 838, 839-40. Under the amendments to section 5(b), the President was delegated extensive powers to regulate international economic transactions involving property in which any foreign nation or citizen, friendly or otherwise, had an interest. These powers could be exercised during either a war or period of declared national emergency. Therefore, after 1941, it was clear that section 5(b) conferred two distinct and independent powers upon the President: (1) the power to seize or "vest" property; and (2) the power to regulate.

Although Congress chose to expand significantly the President's authority under section 5(b), it did not concurrently amend the recovery provisions of section 9(a). For that reason, section 9(a) must be construed to apply as originally enacted—to those provisions of section 5(b) that empower the President to vest property. *See Cornet Stores,* 632 F.2d at 97.

Common sense also dictates that section 9(a) retain its original limitations. In amending section 5(b), Congress delegated broad and extensive powers to the President in order that he could deal effectively with national emergency situations. *See Yoshida,* 526 F.2d at 573. Extending section 9(a) to the regulatory provisions of section 5(b), however, might severely hinder the President's ability to deal effectively with a national emergency. In this case, for example, it is doubtful that the surcharge program imposed by Presidential Proclamation 4074 would have been effective if section 9(a) required the government to return the surcharges it collected. The purpose of a surcharge on imports is to decrease the demand for foreign goods by increasing the price to consumers. If importers know that they will receive a refund of any surcharges paid, then they will be less likely to pass the cost of the surcharge through to consumers. A surcharge program subject to section 9(a) would thus be less effective in decreasing the demand for foreign goods and alleviating a balance of payments problem. Therefore, it seems highly unlikely that Congress would give the President broad regulatory powers under section 5(b) in order that he could deal effectively with national emergencies and then subject these powers to section 9(a), which might render the delegated powers useless.

Thus, section 9(a) "confers jurisdiction upon the federal district courts only to consider challenges to the wartime applications of Section 5(b) [*i.e.*, the seizure or vesting of property] and to identifications of parties as 'enemies'." *Pollak*, 444 F. Supp. at 60 n.2. It is inapplicable to a surcharge program on imports that is authorized by the regulatory provisions of section 5(b). *See Cornet Stores*, 632 F.2d at 97–98, 98 n.2; *Pollak*, 444 F. Supp. at 60 n.2.

Although section 9(a) does not apply to the regulatory provisions of section 5(b), it does not necessarily follow that the United States Court of International Trade is the proper forum for all actions arising under the regulatory provisions of section 5(b).[6] A court must first characterize the action. Only if the section 5(b) action bears a "substantial relation to traditional customs purposes," *Jerlian Watch Co.* v. *United States*, 597 F.2d 687, 691 (9th Cir. 1979), will the United States Court of International Trade have jurisdiction. As this is the case here, litigation involving the import surcharge program is within the exclusive jurisdiction of the United States Court of International Trade. *See Cornet Stores*, 632 F.2d at 100; *Pollak*, 444 F. Supp. at 59–60. Prior litigation under former section 1582 (now section 1581)[7] has conclusively established that Presidential Proclamation 4074 was a valid exercise of the authority delegated to the President under the regulatory provisions of section 5(b). *See Alcan Sales*, 534 F.2d at 920; *Yoshida*, 526 F.2d at 584.

Appellant now contends, however, that the United States Court of International Trade has jurisdiction under section 1581 to hear its section 9(a) claim and to return its surcharge payments notwithstanding the validity of Presidential Proclamation 4074. This argument is without merit. For the reasons stated above, section 9(a) is irrelevant to litigation involving an import surcharge program established under the regulatory provisions of section 5(b). In fact, the inapplicability of section 9(a) to section 5(b)'s regulatory provisions is one of the reasons why the United States Court of International Trade has exclusive jurisdiction over this matter.

Therefore, after thorough consideration of the parties' submissions and after oral argument, the decision of the United States Court of International Trade granting the government's motion for summary judgment is *affirmed*.

---

[6] The regulatory provisions of section 5(b) delegate broad and varied powers to the President, which permit the President to engage in a wide range of economic regulations. Some of the President's regulatory actions may come within the jurisdiction of the federal district courts, while others may be within the exclusive jurisdiction of the United States Court of International Trade. *See Henry Pollak, Inc.* v. *Blumenthal*, 444 F. Supp. 56, 59 (D.D.C. 1977), *aff'd mem.*, 593 F.2d 1371 (D.C. Cir. 1979), *cert. denied*, 444 U.S. 836 (1979).

[7] Section 1581 contains the major jurisdictional grants of authority to the United States Court of International Trade. It substantially restates, with some modifications, the jurisdictional authority of the former United States Customs Court under 28 U.S.C. § 1582. *See* H.R. REP. NO. 1235, 96th Cong., 2d Sess. 44–48, *reprinted in* 1980 U.S. CODE CONG. & AD. NEWS 3729, 3755–60.

HOLLY STORES, INC., APPELLANT, *v.* THE UNITED STATES, APPELLEE

Appeal No. 82-14

697 F.2d 1387

(Decided: November 22, 1982[*])

Peter Jay Baskin argued for appellant. With him on the brief were *Richard M. Belanger* and *Sharretts, Paley, Carter & Blauvelt, P.C.*

John J. Mahon argued for appellee. With him on the brief were Assistant Attorney General *J. Paul McGrath, David M. Cohen,* and *Joseph I. Liebman.*

Before BALDWIN, *Circuit Judge,* COWEN, *Senior Circuit Judge,* and SMITH, *Circuit Judge.*

SMITH, *Circuit Judge.*

This case comes before us on appeal from the Court of International Trade. Appellant is an importer of articles of clothing which are shipped to this country on wire or plastic clothes hangers. The Customs Service decided that the hangers were to be treated as part of the value of the clothing pursuant to General Headnote 6(b)(i) of the Tariff Schedules of the United States and dutied the hangers at the rate for the clothing. The Court of International Trade upheld the Service. We affirm.

General Headnote 6(b) of the Tariff Schedules of the United States, 19 U.S.C. § 1202 (1976), describes the customs treatment of containers in which (or on which) merchandise is imported into this country. The general principle is that reusable containers or holders are treated as separate articles and, if appropriate, dutied at the rate applicable to such containers.

The shipping holders in this case were plastic and wire clothes hangers on which different articles of clothing were shipped from overseas to the United States. The evidence below showed that they were designed to be, and were, of fairly durable construction and that it would be physically possible to reuse them. However, the court also found that only an insignificant number (about 1%) of these hangers was reused in any way at all, and that those uses were of a noncommercial nature. The few hangers that were reused were either given (but never sold) to customers with the clothes that hung on them, used to replace broken hangers, or used to return goods from the retail store to the warehouse. The remaining hangers (about 99% of those imported) were apparently discarded.

Upon importation of these clothes and hangers, the hangers were treated as part of the value of the apparel which hung on them and were dutied at the rate for wearing apparel and accessories, pursuant to General Headnote 6(b)(i). Appellant argues that General Headnote 6(b)(*ii*) applies instead and that the wire and plastic hangers should be treated separately and dutied at the lower rates for metal products and rubber and plastics products, respectively.

---

[*] On January 3, 1983, the court granted appellee's motion that the unpublished opinion of November 22, 1982, in this case be published. The original opinion has been modified somewhat for publication, but the result is the same.

General Headnote 6(b)(*ii*), however, is not properly applied to this case. It states, in pertinent part:

> Shipping or transportation containers or holders, if *designed for, or capable of, reuse,* are subject to treatment as imported articles *separate and distinct* from their contents. * * * [Italic supplied.]

"Reuse" in this context has been consistently interpreted to mean practical, commercial reuse, not incidental reuse. *Fontana Hollywood Corp.* v. *United States,* 64 Cust. Ct. 204, C.D. 3981 (1970), *relying on Tariff Classification Study, Seventh Supplemental Report* (Aug. 14, 1963) at 99. Under this authoritative interpretation of "reuse," we hold that the uses of these hangers beyond shipping them once from overseas to the United States were purely incidental.

The other significant language in General Headnote 6(b)(*ii*)—that the holders or containers be considered "separate and distinct" from their contents—also mandates this result. Each holder, in virtually every case, was associated only with one piece of clothing during its entire useful life. The hangers were never commercially treated as "separate and distinct" from the articles of clothing hung on them.

Paragraph (i), whose application the Government urges and the lower court held, contains the converse language of paragraph (ii): "holders * * * *not* designed for, or capable of, reuse." General Headnote 6(b)(i) (emphasis supplied). The limited meaning of "reuse" is the same in both paragraphs. We therefore hold that the hangers in this case were "not designed for, or capable of, reuse" within the meaning of General Headnote 6(b)(i) and were properly dutied at the same rate as the apparel they held. The decision of the Court of International Trade is *affirmed.*

BAR ZEL EXPEDITERS, INC., A/C BEN CLEMENTS & SONS, INC., APPELLANT *v.* THE UNITED STATES, APPELLEE

Appeal No. 82-29

698 F.2d 1210

(Decided: February 4, 1983)

Joseph S. Kaplan argued for appellant. With him on the brief was *John B. Pellegrini.*

Susan Handler-Menahem argued for appellee. With her on the brief were Assistant Attorney General *J. Paul McGrath,* Director *David M. Cohen,* and Attorney in Charge *Joseph I. Liebman.*

Before MARKEY, *Chief Judge,* DAVIS and NICHOLS, *Circuit Judges.*

MARKEY, *Chief Judge.*

Bar Zel Expediters, Inc. (Bar Zel) appeals from the judgment of the United States Court of International Trade (*Bar Zel Expediters, Inc., A/C Ben Clements & Sons, Inc.* v. *The United States,* 3 CIT 84, Slip Op. 82-25 (1982)) holding that the imported plastic fasteners are properly classifiable as "sew-on fasteners", under item 745.63, Tariff Schedules of the United States (TSUS), and refusing classification as "articles not specially provided for, of rubber or plastics", under item 774.60, TSUS. We affirm.

BACKGROUND

The imported merchandise consists of plastic fasteners, known as Tach-Its, used to attach identification tags to clothing and other textile articles.

In practice, a clip of Tach-Its is loaded into a fastening device or "gun" equipped with a hollow needle. The needle is inserted into the article and the fastener is propelled the length of the needle thereby penetrating the article. When the needle is thereafter withdrawn the fastener remains inserted through the article and is held in place by protrusions at either end of its body.

Customs Service officials classified the merchandise under item 745.63.[1] Bar Zel protested that classification and advanced a claim under item 774.60.[2]

The Court of International Trade (Edward D. Re, Chief Judge) sustained Customs' classification, concluding that the imported merchandise comes within the common meanings of "clasp" and "sew-on fastener" and that Bar Zel had not established commercial meanings for those terms different from their common meanings.

ISSUE

Whether the Court of International Trade erred in holding the merchandise properly classifiable under item 745.63, TSUS.[3]

---

[1] Item 745.63 provides in pertinent part:

Clasps, handbag and similar frames incorporating clasps, and snap fasteners; all the foregoing and parts thereof:

Valued not over 20 cents per dozen pieces or parts:

745.63 Sew-on fasteners, and parts thereof................ 27.5% ad val.

[2] Item 774.60 provides in pertinent part:

Articles not specially provided for, of rubber or plastics:

* * * * * * *

774.60 Other .... 8.5% ad val.

[3] Both parties alternatively claim that the merchandise is classifiable under item 745.65, TSUS and "clasps". In view of our disposition, we need not reach that issue.

OPINION

Bar Zel says that Tach-Its are neither clasps nor sew-on fasteners because they come within neither the common nor commercial meanings of those terms. We disagree.

I. Common Meaning

A. Clasps

In *United States* v. *Murphy & Co.*, 13 Ct. Cust. Appls. 456, 461, T.D. 41348 (1926) and in *United States* v. *Clarke & Co.*, 13 Ct. Cust. Appls. 462, 465, T.D. 41349 (1926), the Court of Customs Appeals,[4] discussed the meaning of "clasp" and quoted with approval:

> A fastening by which things or the parts of a thing are bound or held together; also, any instrument or bond of connection, as a tendril, the hook that fastens on an eye, a grappling-iron, etc.

Funk & Wagnalls New Standard Dictionary (1913).

Under that definition, a clasp need only serve to hold things or parts of things together, i.e., to fasten. Bar Zel concedes that the imported fasteners perform that function.

Bar Zel says, however, that *Murphy* and *Clarke* should not be looked to for the common meaning of "clasp" because those cases concerned issues of relative specificity between two competing tariff provisions, not common meaning. Alternatively, Bar Zel says that the definition should be rejected as overly broad because a "clasp" must necessarily include features of releasibility and refastenability.

We do not agree that *Murphy* and *Clarke* did not involve a determination of common meaning. As Chief Judge Re correctly found, "the * * * court, in both cases, was required to decide whether the merchandise fell within the provision for 'clasps' ". In so deciding, those courts specifically relied on the recited definition as an expression of common meaning.

Nor do we agree that the quoted definition is overly broad. Though Bar Zel points to sources (e.g., Webster's New International Dictionary of the English Language (2d Ed. 1930)) which include releasibility and refastenability as limitations on "clasp", we agree with the trial court that Bar Zel has not thus refuted other sources which omit those limitations.

The trial court's finding of common meaning is moreover amply supported by expert testimony in the record expressing agreement with the *Funk and Wagnalls* definition. That Bar Zel presented contrary testimony is alone no basis for upsetting the trial court's finding.

---

[4] Binding precedent in this court. *South Corp.* v. *United States*, 690 F.2d 1368 (1982).

We conclude, therefore, that the trial court correctly relied on the definition set forth in *Murphy* and *Clarke* in determining that the subject fasteners come within the common meaning of "clasp".

B. Sew-On Fasteners

Bar Zel says the common meaning of "sew-on fasteners" is a device attached with needle and thread to an article and used to open and close the article. It says that which draws the imported fastener through an article is not a needle because it has no eye.

It was undisputed that the imported fasteners are used to attach or fasten materials. The trial court properly limited its inquiry, therefore, to whether the process for affixing the fasteners is a sewing operation. Relying on testimony presented at trial and lexicographic references, the court determined that the process of affixing is sewing and that the fasteners are thus sew-on fasteners. Bar Zel has offered no basis for upsetting that determination.

II. Commercial Meanings

Where a tariff term has acquired a meaning in the trade which differs from its common meaning and which is "definite, uniform and general throughout the United States", *United States* v. *Schwab & Co.*, 30 CCPA 72, 78, C.A.D. 218 (1942), the commercial meaning prevails unless Congress has expressed a contrary intent. *Cadwalader* v. *Zeh*, 151 U.S. 171 (1894).

Though Bar Zel says the commercial designations of "clasps" and "sew-on fasteners" differ from their common meanings and that the imported fasteners are not known as "clasps" or "sew-on fasteners" in the trade, we agree with the trial court that Bar Zel has failed to establish commercial designations for those terms which are "definite, uniform and general throughout the United States". The opinion of Bar Zel's witnesses, that the fasteners are not known as clasps or sew-on fasteners in the garment trade, is not conclusive proof of the required commercial meanings, particularly where, as the trial court observed, much of that testimony is contradictory and basic differences among Bar Zel's own witnesses evidenced absence of a definite, uniform, and general understanding of the terms.

CONCLUSION

Bar Zel having failed to establish error in the trial court's determination that the imported fasteners are included within the common meanings of "clasps" and "sew-on fasteners", and having failed to show error in the trial court's finding that it had not established commercial meanings for those terms which would exclude the imported fasteners, the trial court's judgment upholding the classification under item 745.63, TSUS is *affirmed.*

UNIROYAL, INC., APPELLANT v. THE UNITED STATES, APPELLEE

Appeal No. 82-31

702 F.2d 1022

(Decided: March 23, 1983)

Andrew P. Vance, New York City, for appellant.

Barbara M. Epstein, New York City, argued for United States. With her on the brief were *J. Paul McGrath*, *David M. Cohen* and *Joseph I. Liebman*, New York City.

Lauren R. Howard and *David L. Dick*, of Washington, D.C., were on the brief for amicus curiae, Footwear Industries of America, Inc.

Before RICH, DAVIS, and NIES, *Circuit Judges*.

Per Curiam.

Uniroyal appeals the judgment of the Court of International Trade, 3 CIT 220, 542 F. Supp. 1026 (1982), upholding the determination by the United States Customs Service that certain footwear uppers must be excluded from entry under § 304(a)(3)(H) of the Tariff Act of 1930, as amended (19 U.S.C. § 1304(a)(3)(H) (1976)). This statute requires that imported articles must be marked so as to indicate the country of origin to the ultimate purchaser in the United States. The case turns on the issue of who is the ultimate purchaser of the imported goods within the meaning of the statute.

Uniroyal imports footwear uppers, complete shoes except for the attachment of soles, and sells the imported goods to a U.S. manufacturer, Stride-Rite Co. The uppers are shipped to the United States in cartons marked "Made in Indonesia." Stride-Rite performs the operations necessary to finish the shoes and sells them to retail establishments for resale to consumers. The finished shoes bear no marking with respect to foreign origin of the uppers.

The Court of International Trade held that Stride-Rite was not the ultimate purchaser within the meaning of § 304 since the operations performed in the United States did not substantially transform the identity of the uppers. We agree with the analysis by the court and, accordingly, the judgment is *affirmed*.

AKTIEBOLAGET KARLSTADS MEKANISKA WERKSTAD AND KMW-JOHNSON, INC., APPELLANTS v. UNITED STATES INTERNATIONAL TRADE COMMISSION AND BELOIT CORP., APPELLEES

Appeal No. 82-21

705 F.2d 1565

(Decided: April 18, 1983)

John E. Dumaresq, New York City, for appellant. With him on the brief were *Frederick C. Carver* and *Thomas R. Newbitt, Jr.*, New York City and *Dennis A. Adelson*, Washington, D.C., of counsel

Phyllis M. Smithey and *Joel Junker,* Washington, D.C., argued for International Trade Commission. With them on the brief was *Michael H. Stein,* general counsel, Washington, D.C.

William C. Stueber, Chicago, Illinois, and *Victor M. Wigman,* Arlington, Virginia, argued for Beloit Corporation. With them on the brief were *Steven H. Noll,* Chicago, Illinois and *Dirk J. Veneman,* Beloit, Wisconsin

Before FRIEDMAN, RICH, BENNETT, MILLER, and SMITH, *Circuit Judges.*

RICH, *Circuit Judge.*

This appeal is from the final determination of the United States International Trade Commission (ITC) of November 18, 1981, in Investigation No. 337-TA-82A, USITC Publication No. 1197 (November 1981), entitled "In the Matter of Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof." We affirm in part, reverse in part, vacate in part, and remand.

The underlying basis of the ITC's investigation resides in two patents owned by appellee Beloit Corporation (Beloit), a leading domestic manufacturer of papermaking machinery. They are Reissue patent No. 28,269 (the '269 patent) granted December 10, 1974, a reissue of original patent No. 3,607,625 to Hill, Parker, and Hergert (the '625 patent), issued September 21, 1971, on application serial No. 698,633 filed January 17, 1968; and Verseput patent No. 3,923,593 (the '593 patent), issued December 2, 1975, on application serial No. 434,048 filed January 17, 1974, as a continuation-in-part of an earlier application filed December 3, 1971. Both of these patents in suit issued to Beloit as assignee. These two patents, '269 and '593, were held to be infringed by the importation and sale of apparatus of appellants, a Swedish manufacturer of papermaking machinery and its domestic licensee (herein jointly KMW).

There was a prior related investigation, No. 337-TA-82, 213 USPQ 291 (1981), based on the same underlying facts, in which the President of the United States, on June 8, 1981, disapproved, for policy reasons, the ITC's determination pursuant to section 337(g)(2) of the Tariff Act of 1930, as amended, 19 USC 1337(g)(2). In an explanatory statement, the President said:

> My decision does not mean that the patent holder in this case is not entitled to a remedy. However, I do not have the authority to revise the USITC's remedy. An exclusion order directed only to the respondent's products, or a narrowly drafted cease and desist order would appear to be entirely justified and appropriate. I, therefore, strongly urge the Commission to take such action expeditiously on its own motion.

Thereafter the ITC instituted the present investigation, which was to be based, however, on the record compiled in the prior investigation with no issue already addressed to be relitigated absent new evidence and good cause. The ITC again determined there had been a violation of § 337 and isssued a new exclusion order, the relevant portion of which reads:

> 1. Multi-ply headboxes and papermaking machine forming sections for the continuous production of paper, and components thereof or spare parts therefor, manufactured by Aktiebolaget Karlstads Mekaniska Werkstad, of Karlstad, Sweden, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, which infringe claims 1, 12, 15, 16, or 22 of U.S. Letters Patent RE 28,269 and claims 4, 5, or 6 of U.S. Letters Patent 3,923,593 are excluded from entry into the United States for the remaining term of the patents, except where such importation is licensed by the patent owner;
>
> 2. KMW papermaking machine forming sections which are imported individually and not in combination with multi-ply headboxes are not subject to this order.

ISSUES

The issues presented by this appeal are:

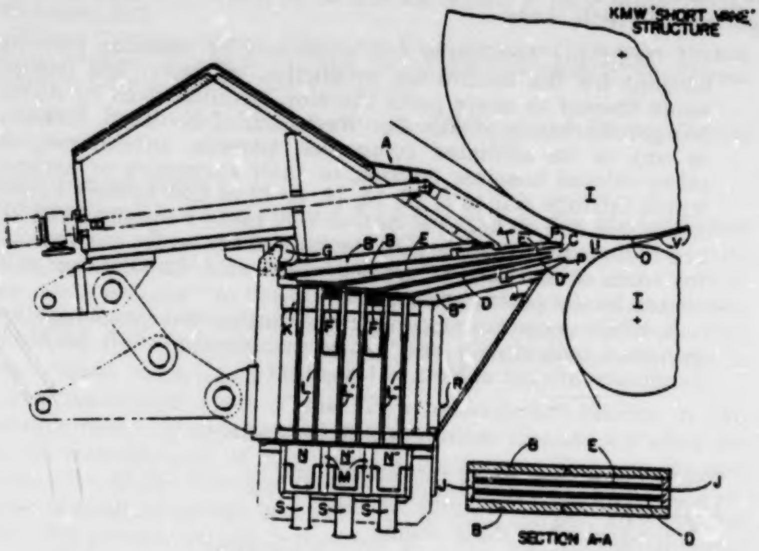
1. The validity of the claims in suit;
2. Infringement of those claims;
3. Injury to the domestic industry under § 337;
4. Whether appellants have been improperly denied procedural rights in the second investigation.

BACKGROUND

The papermaking machines here involved are large, costly devices designed to run continuously at very high speeds. The papermaking machine component most directly involved herein is the headbox, which is the part which delivers a slurry of paper pulp and water, known as paper stock, to a surface where it is formed and dried, known as the wire. The headbox must deposit the stock on the wire very uniformly. Otherwise, the machine will produce paper having streaks, clumps of fiber, or uneven tensile strength.

The paper these machines produce may be either single ply or multiple ply (multi-ply). A machine designed to produce single ply paper is referred to as a single ply machine, and its headbox a single ply headbox. Similarly, a machine designed to produce multi-ply paper is referred to as a multi-ply machine, and its headbox a multi-ply headbox.

KMW's allegedly infringing headboxes, all of which were multiply headboxes, may be understood from the following figures based upon Beloit's Exhibit "A". It is a diagrammatic, sectional, side view of the headbox portion of a papermaking machine shown as adapted to feed liquid paper stock into the space between the endless wire belts of a twin-wire tye of paper former, the belts travelling around the supporting rolls marked I.



Stock flows from the three header inlets S at the bottom of the drawing to a preslice area R and then into slice chamber B. The slice chamber is divided by trailing elements or vanes D and E, pivotably mounted at F at their upstream ends. The downstream ends of the trailing elements are unattached and positioned by the pressure on them exerted by the flowing stock. The trailing elements extend transversely (perpendicular to the figure) the entire width of the slice chamber, thus dividing the slice chamber into a plurality of relatively shallow passages. The embodiment shown in the figure has come to be known as the "short vane" structure because the vanes and associated structures are wholly contained within the slice chamber B. Another embodiment, the "vane without foil" embodiment, delivers air at the trailing edge of the vane through air passages within the vane itself, thus creating an "air wedge" at the trailing edge. In a third embodiment, the "vane with foil" embodiment, long foil members extend from the trailing edges of the vanes D beyond the confines of the slice chamber.

The small figure marked "SECTION A-A" is a broken or lengthwise contracted view through the slice chamber B and the vanes D and E. The space inside the chamber which contains the paper stock is called the "pond" and is closed at either end by what are called "pondsides," shown at J. The vanes or trailing elements, as will be seen, extend from pondside to pondside, continuously, the break in the middle of the drawing being a drafting convention indicating that a central portion of the chamber has been omitted for convenience of illustration. The floating vanes D and E, attached only at their upstream ends, are the feature with which we are here principally concerned.

THE PATENT CLAIMS IN ISSUE

As enumerated in the ITC's exclusion order, five claims of the '269 patent are in issue, namely, 1, 12, 15, 16, 22. Three claims of the '593 patent are in issue, 4, 5, and 6.

The invention disclosed in the '269 patent by the joint inventors Hill, Parker, and Hergert (Hill et al.), who filed the first of the applications in the series before us, is illustrated as embodied in a single ply headbox arranged to flow paper stock onto the forming wire belt of a Fourdrinier type papermaking machine, which has a single wire belt or screen through which the water of the paper stock is removed, leaving a fiber mat, subsequently further processed to make finished paper. The gist of the invention of the claims in suit is the use in the headbox slice chamber of one or more trailing elements, anchored at their upstream ends, self-positionable through fluid pressure, and extending all the way across the slice chamber, i.e., pondside to pondside. There is nothing in these claims which limits this invention to use in a single ply headbox; it can be and is used in the same way in a multi-ply headbox for the same advantages. The '269 patent claims in suit will be more easily understood in connection with an illustration. We reproduce Figs. 2, 3, and 5 of patent '269:

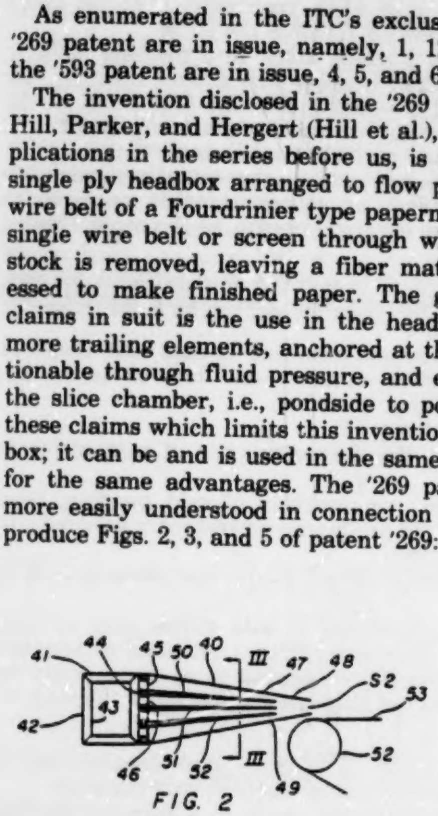


FIG. 2

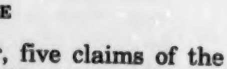


FIG. 3

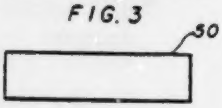


FIG. 5

Explaining the essentials, 40 is a headbox with an inlet header 43 feeding stock to a perforated plate 44 at the upstream end of slice chamber 47 having slice S2. Components 50, 51, and 52 are the trailing elements anchored at their upstream ends to plate 44. Fig. 3 is a section on the line III–III looking to the left. Fig. 5 is a plan view of element 50. Stock flowing out of S2 is deposited on Fourdrinier wire 53 carried around roll 52 and moving to the right. The involved claims reads as follows:

1. In a headbox for delivering stock to a forming surface, th headbox having a slice chamber and a slice opening, the im provement comprising a plurality of trailing elements pos tioned in the slice chamber, each of said elements extendin transversely of said headbox from pondside to pondside, mean anchoring said elements only at their upstream ends at loca tions spaced generally perpendicular to the stock-flow stream with their downstream portions unattached and constructed t be self-positionable so as to be solely responsive to forces exert ed thereon by the stock flowing towards the slice.

12. In a headbox for delivering stock to a forming surface the headbox having a slice chamber and a slice opening, the improvement comprising a trailing element positioned in the slice chamber, said element extending transversely of said headbox from pondside to pondside, means anchoring said element only at its upstream end with its downstream portion unattached and constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing towards the slice.

15. In a headbox for delivering stock to a forming surface, the headbox having a slice chamber and a slice opening, the improvement comprising:

perforate walls [sic] means mounted in said slice chamber transversely of said slice chamber and located in an upstream portion of said slice chamber,

a plurality of rigid plates,

means for attaching the upstream ends of said plates to said wall means,

said plates extending transversely of said headbox from pondside to pondside and projecting downstream generally in the direction of stock flow,

and trailing elements attached to the downstream ends of said plates,

said elements being attached to said plates only at their upstream ends with their downstream portions unattached and constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing towards the slice.

16. The structure of claim 15 wherein said elements are in the form of sheets extending transversely of said headbox.

22. In a headbox for delivering stock to a forming surface, the headbox having a slice chamber and a slice opening, the improvement comprising:

perforate wall means mounted in said slice chamber and located in an upstream portion of said slice chamber,

a rigid plate,

means for attaching the upstream end of said plate to said wall means,

said plate extending transversely of said headbox from pondside to pondside and projecting downstream generally in the direction of stock flow, and a trailing element attached to the downstream end of said plate,

said element being attached to said plate only at its upstream end with its downstream portion unattached and constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing towards the slice.

Beloit's Verseput '593 patent is an application of the Hill et al. invention of the '269 patent to a machine for making multiple ply paper, for example, a paper having a core of one kind of stock integrated with surface layers formed from a different stock, all three layers being laid down on the wire or between the wires of a forming section at the same time from the same headbox. This requires means for feeding different stocks simultaneously to the headbox and keeping them separated until they are delivered from the slice. It requires, in other words, a multi-ply headbox. Fig. 2 of the patent diagrammatically illustrates the headbox feeding multiple stocks from the slice into the space between twin forming wires, and Fig. 3 is a section through a 3-ply paper produced thereby. The claims in issue follow the drawings.

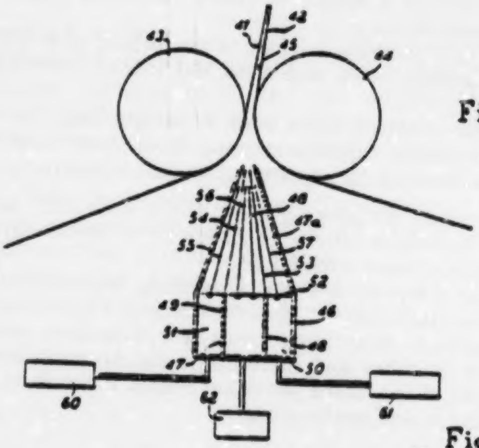
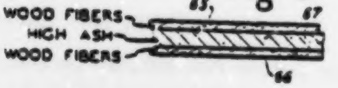


Fig. 2

Fig. 3



4. In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid carrier, the combination comprising:

a foraminous forming surface for receiving a liquid stock and dewatering the stock;

a headbox having a slice chamber formed by slice walls terminating in slice lips which form a slice opening for directing a jet stream onto the forming surface; said slice lips extending substantially the same distance toward said surface; said headbox also having a preslice chamber immediately upstream of the slice chamber; a first rigid partition extending across said preslice chamber dividing the preslice chamber into multiple stock chambers;

a second partition extending across said slice chamber forming a continuation of said first partition and dividing the slice chamber into multiple stock chambers to extend to the slice opening; said second partition being supported only at its upstream end with its downstream portion unattached and constructed to be self-positionable so as to be responsive to forces exerted thereon by the stock flowing toward the slice so that the stocks from the multiple chambers exit through the slice opening at uniform velocity;

and means for supplying stocks of different characteristics to each of said multiple stock chambers in the preslice chamber.

5. In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid carrier constructed in accordance with claim 4:

wherein said forming surface is comprised of a first looped traveling forming wire and a second looped traveling forming wire;

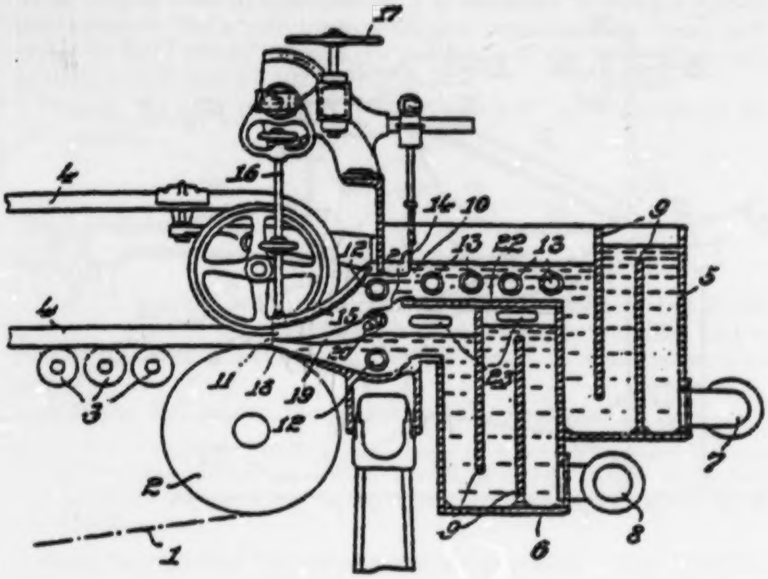
and guide means within said wires guiding the wires to provide a forming throat receiving stock from said slice followed by a forming run between the said wires.

6. In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid carrier constructed in accordance with claim 4:

including a third partition extending across said preslice chamber so that the headbox is divided into at least three stock chambers comprising two outer chambers and one intermediate chamber and including a fourth partition being a continuance of the third partition which extends to the slice opening and is self-positioning.

PRIOR ART REFERENCES

German patent No. 899,896 published in 1953 discloses a multiply headbox as shown in the following drawing:



The illustrated headbox has upper flow-out nozzle 11 and lower flow-out nozzle 18, between which is separating tongue 19 which can be rotated about pivot 20 and also adjusted longitudinally to some extent. The rotatable separating tongue delimits the outlet cross-sections of the two flow-outs, and thus, the patent teaches, adjusts the relative amount of pulp expelled from one with respect to the other. Note that there are two "breastboxes" 5 and 6, which are supplied pulp separately from lines 7 and 8, respectively, thus enabling the making of multi-ply paper.

French patent No. 1,490,429 granted in 1967 likewise discloses the headbox end of a multi-ply papermaking machine. Figure 2 is reproduced:

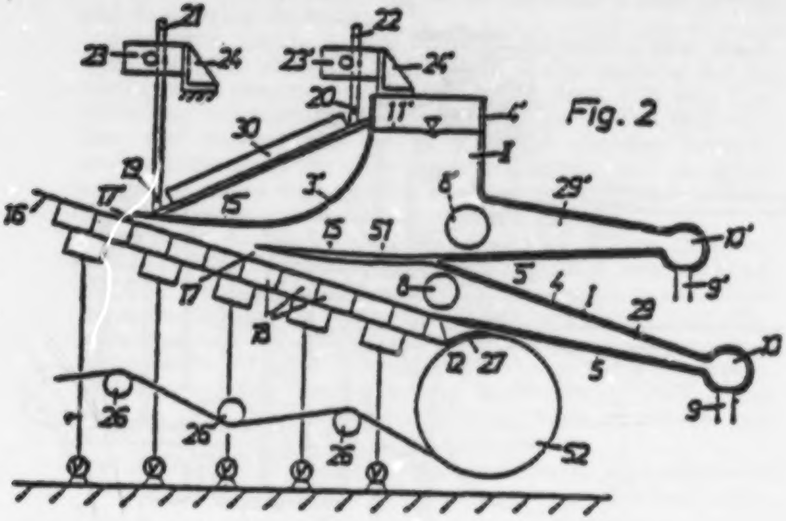


Fig. 2

Shown are pulp distributors I and II, separated by lip 15 which is pivoted at 51 and is turned to regulate slot 17 between lip 15 and screen 16 to obtain the desired mixture of the stocks from distributors I and II, respectively. As was true of the device disclosed in the German patent, the headbox of the French patent has separate stock supply systems, starting with distribution conduits 9 and 9′, and collectors 10 and 10′. It differs from the German patent in that the two stocks supplied are laid on screen 16 in succession, one after the other, instead of simultaneously.

A third patent asserted by KMW to be prior art is U.S. patent No. 3,939,037 (the '037 patent) issued in 1976 to Hill, a named coinventor in the '269 patent, as a sole inventor on application serial No. 451,225, which was a continuation of a continuation-in-part of a division of the application which matured into the patent reissued as the '269 patent. As might be expected, the specifications of the '037 and '269 patents strongly resemble one another. Specifically, the '037 patent teaches a headbox with self-positionable trailing elements, and mentions that

> * * * it may be more convenient to have the flexible members * * * extend transversely of the slice chamber in the form of a full width sheet * * * where the transverse dimension of the preslice flow chamber is relatively narrow.

As developed later in this opinion, it is necessary to make a distinction between Hill's sole invention (later explained) as "prior art" under 35 USC 102(g)/103 and the *disclosure* of the Hill '037 patent, as such, which is not § 103 "prior art."

Finally, the '269 patent is § 103 "prior art" with respect to the '593 patent.

OPINION

The '269 Reissue Patent in Suit

Validity

The ITC agreed with the presiding officer's finding that KMW had not rebutted the '269 patent's presumption of validity, and so adopted his determination that the '269 patent is valid and enforceable.

As to the '037 patent, the presiding officer concluded

> * * * that the '037 patent does not teach or suggest the use of trailing elements which are full width sheets extending pondside to pondside in any use other than a narrow-width headbox.

Thus, he regarded the subject matter of claims 1 and 12 of the '269 patent as patentably distinct from the invention disclosed in the '037 patent. He was also persuaded by the fact that the examiner who ultimately allowed the '269 patent had made, but later withdrew, a rejection based on the '037 patent. The presiding officer appreciated that the '037 and '269 patents orginated from the same application, opining that "this history would seem to weaken [KMW's] contention that the '037 patent truly constitutes prior art over [sic, against] the '269 patent."

As to the German patent, the presiding officer thought it more reasonable to conclude that the separating tongue disclosed therein, judging from its function, is fixed rather than free. He noted the testimony of KMW's expert, Mr. Eric Stenberg, that regardless of whether the disclosed separating tongue is fixed or free, it would have been obvious to one of ordinary skill in the art that the disclosed separator tongue could be free, but found more persuasive the testimony of Beloit's expert, Dr. Waller, who testified that it would have been unthinkable to one of ordinary skill in the art to have a free member within the slice chamber. The presiding officer also thought it significant that the German patent had been considered by the patent examiner who ultimately allowed the '269 patent. In addition, the presiding officer noted the presence of several indicia of nonobviousness including the commercial success of papermaking machines incorporating the claimed invention and the failure of others to solve the long-standing problems solved by the claimed invention. As to the French patent, the presiding officer thought it teaches no more than the conventional thinking that any dividing element within the slice chamber had to be fixed in position.

KMW contends that the subject matter of claims 1 and 12 of the '269 patent is anticipated by the '037 patent's disclosure of the use of full width trailing elements in a narrow headbox. It also contends that the invention claimed in the '269 patent would have been obvious from the German patent. Furthermore, it contends that the subject matter of claims 15, 16, and 22 of the '269 patent would have been obvious from the combined teachings of the '037 and French patents. It maintains that the presiding officer made two fundamental errors in determining nonobviousness. First, it contends that he treated self-positionable trailing elements as a "basis for patentability" of the '269 patent, when in fact they were part of the prior sole invention of Hill. Second, the presiding officer is said to have accepted Beloit's contention that its headbox solved several long-standing problems in the papermaking art.

Underlying KMW's argument of anticipation is the premise that the '037 *patent* is prior art with respect to the '269 patent. KMW cites no statutory basis for this premise nor is one presented by the facts of record. The '037 and '269 patents, being derived from the same parent application, have the *same* effective filing date. It apparently is based instead on Beloit's statement that "the ['037] patent is unquestionably the most pertinent prior art with respect to the headbox claimed in the '269 patent." Appellants present this statement as an admission that the '037 *patent,* as such, is prior art.

Beloit admits making the quoted statement but disagrees with KMW's interpretation. When asked at oral argument whether Beloit admitted the '037 *patent* was technical prior art, its counsel responded:

> Only as far as the dangling or trailing element concept [is concerned]. It is not technical prior art for the entire wording of the specification because the two cases were copending. They go back to exactly the same filing date. They derive from the same basic application. You cannot take the words, all the words of the specification, and say they are prior art because you cannot use the words and go to a date earlier than the Hill et al. ['269] patent. And we say they are prior art, that Hill alone ['037] is prior art, because it taught the dangling element, but that was the generic concept of an unsupported self-positionable element.

Thus, the parties agree that there has been an admission, but disagree over what has been admitted. In resolving this disagreement, we cannot take an arguably ambiguous statement and construe it in the manner most detrimental to Beloit, regardless of its explanations and attempted clarifications. Rather, it is necessary to consider everything that has been said about what is prior art. *In re Nomiya,* 509 F.2d 566, 571, 184 USPQ 607, 612 (CCPA 1975). Beloit's statements of record in this case include those already quoted, as well as a longer discussion of what part of the '037 patent is prior art, similar to its remarks at oral argument, in its post-hearing brief to the Commission, as well as remarks in its brief and additional remarks at oral argument. These statements taken together demonstrate that Beloit has consistently insisted that Hill alone did not invent a headbox having full width trailing elements, despite the fact that Beloit has used some language which might suggest otherwise. They lead us to conclude that Beloit has admitted only that Hill's work was prior to that of the joint inventors, and that he invented a headbox having self-positionable trailing elements, but not full width trailing elements. The record, taken as a whole, supports only this view.

Having determined the extent of Beloit's admission of Hill's prior invention, it must now be resolved whether, as KMW alleges, Hill alone invented *more* than Beloit has admitted. Specifically, KMW argues that the description of full width trailing members in the '037 patent, in which Hill is named as the sole inventor, demonstrates that Hill by himself invented a headbox incorporating such full width trailing members. The short answer to this argument is that there is no presumption, or any reason to assume, that everything disclosed in a patent specification has been invented by the patentee. *In re Clemens,* 622 F.2d 1029, 1036, 206 USPQ 289, 297 (CCPA 1980). *See In re DeBaun,* 687 F.2d 459, 214 USPQ 933 (CCPA 1982). This is especially significant in this case. The embodiment comprising full width trailing members is an improvement on, and thus the best mode of practicing, what has been conceded by Beloit to be Hill's prior invention. This improvement was unquestionably known to Hill, who participated in its development. Thus, 35 USC 112, which requires an inventor to set forth the best mode contemplated by him of carrying out his invention, required Hill in this instance to retain the description of full width trailing sheets in his application when it was divided out of the joint application, regardless of whether it was his invention. Under these circumstances, there is no reason to believe that Hill's invention is anything more than Beloit has conceded.

The above analysis leads us to conclude that Beloit has admitted, and admitted accurately, that Hill by himself invented a headbox having self-positionable trailing elements before the invention of other embodiments of that concept by Hill, Parker, and Hergert; but that his headbox did *not* have full width trailing elements. This is an admission of prior invention by another in this country, and so Hill's headbox becomes prior art by virtue of this admission and 35 USC 102(g). Hill's headbox is therefore prior art for the purpose of determining obviousness under 35 USC 103, especially here where the joint inventors Hill et al. were undeniably aware of Hill's prior work, and the evidence of priority, an admission, is conclusive. *In re Clemens,* 622 F.2d 1029, 206 USPQ 289 (CCPA 1980).

We must now decide whether the invention claimed in the '269 patent would have been obvious to one of ordinary skill in the art from knowledge of the Hill invention, the German patent, the French patent, or any combination of their teachings. In so deciding, it does not matter that we have, as a matter of law, defined the Hill invention more narrowly than did the presiding officer, who apparently believed, as we do not, that Hill by himself invented full width trailing members, at least as used in a narrow headbox, because his patent describes it. Obviousness is a legal conclusion based on factual determinations and not a factual determination itself. *General Motors Corp.* v. *ITC*, 687 F.2d 476, 480, 215 USPQ 484, 487 (CCPA 1982), *cert. denied*, 103 S. Ct. 729 (1983). The factual determination at issue concerns the scope and content of the prior art. We must uphold this factual determination if and only if it is both arrived at through the proper application of the relevant law and supported by substantial evidence. Our disagreement with the presiding officer's view concerning the scope and content of the prior art is on the former grounds; the '037 patent is not prior art with respect to the '269 patent as a matter of law. Despite this disagreement, we may nevertheless affirm the legal conclusion of the ITC with respect to obviousness if we agree with it, for it is, ultimately, that conclusion and that conclusion alone which we review.

With regard to the specific issue now under consideration, whether the invention claimed in the '269 patent would have been obvious to one of ordinary skill in the art when made, our conclusion, the same as that of the ITC, is that it would not have been. Knowledge of Hill's sole invention would not have suggested a headbox having the pondside-to-pondside elements recited in the '269 patent claims in suit. The separating tongue of the German patent is disclosed to serve, and actually serves, a purpose completely different from that of the self-positionable trailing elements of the claimed invention. As noted earlier in this opinion, adjustable tongue 19 determines by its fixed setting the relative outflow from the two pulp supplies whereas the '269 trailing sheets do nothing of the kind, being free when the headbox containing them is in use. From this it follows that a combination of the teachings of the Hill invention and the German patent does not render the claimed invention obvious within the meaning of § 103. With regard to the French patent, the lip disclosed therein is also fixed rather than free, so that the French patent teaches nothing more material than what can be learned from the German patent.

Finally, there remains the dispute of the parties over the existence and effect of indicia of nonobviousness, or so-called "secondary considerations," associated with the '269 headbox. Assuming, arguendo, that KMW is correct in contending that there are reasons to discount them, we nevertheless adhere to the legal conclusion that the '269 patent is valid, based on the analysis set forth above.

Infringement

The presiding officer concluded that KMW's short vane and vane without foil structures literally infringe claims 1 and 12 of the '269 patent. He also found that the vane with foil structure literally infringes claims 1, 12, 15, 16, and 22 of the '269 patent. The ITC agreed, and so adopted the findings and conclusions of the presiding officer respecting literal infringement.

With respect to all claims and embodiments, KMW attacks the ITC's determination of literal infringement by contending that its own headbox so resembles the prior art that the claims of the '269 patent cannot read on their headbox and still be valid. We reject this argument. Our finding above, that the '269 patent is valid notwithstanding the prior art, is premised on the conclusion that any apparatus within its claims would not have been obvious at the time the invention was made. An affirmative finding of literal infringement therefore necessarily means that KMW's headbox is not as similar to the prior art as KMW contends. KMW also argues that the ITC erred in adopting the presiding officer's conclusion that the '269 patent claims are entitled to a broad construction because of the pioneer status of the invention, commercial success, and patent policy. Specifically, KMW contends that the invention claimed in the '269 patent contributed very little to the art, so that its claims should be limited to the embodiments described in the specification. We reject this contention for to accept it would be to read limitations into the claims which they do not contain. Apart from that contention, KMW does not even suggest, nor can we discern for ourselves, any reason for reading claims 1 and 12 so narrowly that they do not read on headboxes incorporating KMW's short vane and vane without foil structures. We therefore affirm the ITC's determination that these headboxes literally infringe claims 1 and 12.

As to the vane with foil structure, KMW argues that the ITC ignored several features of a headbox incorporating such element which remove it from the scope of the involved claims. We have considered all of these features, and find that the only one arguably applicable to the claims is that the trailing element *with foils* extend through and beyond the slice opening, so that the trailing member is not "constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing *towards the slice*" as recited in the claims. (Italic ours.) Reading the claims in light of the specification, however, we conclude that the phrase "flowing towards the slice" merely expresses a direction of stock flow in terms of a reference point—the slice—a direction that one skilled in the art would readily understand to remain the same even though that reference point has been passed. That is to say, even though a small part of the stock minimally affecting the position of the whole trailing member may have passed through the slice, and so is technically flowing *away* from the slice, the position of the trailing member is for the most part, if not altogether, still determined by forces exerted by stock flowing towards the slice. We reach this conclusion whether or not the claims are given a broad contruction. Based on this conclusion, we affirm the ITC's determination that the vane with foil embodiment of KMW's headbox literally infringes claims 1, 12, 15, 16, and 22 of the '269 patent.

The '593 Patent

Validity

The '593 Verseput patent matured from an application which was a continuation-in-part of an application filed December 3, 1971. The presiding officer found that the invention described and claimed in the '593 patent was actually reduced to practice as early as June 7, 1970. The '269 patent, just discussed, is a reissue of patent No. 3,607,625 dated September 21, 1971, and applied for January 17, 1968. The '269 patent is therefore prior art with respect to the '593 patent by virtue of 35 USC 102(e). In fact, Beloit concedes it to be the most pertinent prior art, and states in its brief:

> These same principles utilized in the '269 headbox for making single ply paper were found by Mr. Verseput to be exploitable in the manufacture of multi-ply paper wherein different types of papermaking stock are supplied in a multi-ply headbox between the self-positionable elements. Again, because the self-positionable elements extend pondside to pondside the different types of stock are maintained segregated in the headbox so that no mixing of the stocks occurs, and upon exiting the headbox the absence of shear forces due to the equal velocities of the adjacent stock flows achieves just the right amount of intermingling of fibers between adjacent layers so as to provide good bonding without destroying the layer purity.

Thus, as the presiding officer put it, the '593 patent describes a headbox "whose structure and functions, generally speaking, are substantially the same as the Converflo single layer headbox described in the '269 patent, modified by suitable partitions to convert the single ply headbox into a multi-layer headbox." Thus, the question is whether this innovation would have been obvious to one of ordinary skill in the art as of June 7, 1970.

After reviewing the exhibits and testimony of record and the arguments of counsel, we conclude that the headbox claimed in the '593 patent would have been obvious from the '269 patent in view of the German patent. Certainly, *how* to convert the single ply headbox described in the '269 patent into a multi-ply headbox would have been clear from the German patent's teaching of a multi-ply stock feeding and delivery system. As Beloit's technical expert, Professor Waller, acknowledged during cross-examination, it would have entailed only supplying two sources of stock, dividing the pre-slice chamber, and extending one of the trailing members all the way to the slice opening. Given the obviousness of how to construct such a headbox, any nonobviousness must arise from the act of realizing that constructing such a headbox would be advantageous. That realization, however, would have been obvious as well.

We are aware that Professor Waller also testified that because of certain technical considerations, such as problems produced when the stocks have a relative velocity at their confluence, it would have been, and in fact was, surprising to one of ordinary skill in the art that the '593 headbox worked as well as it did. We appreciate that this testimony went essentially unchallenged and would normally show that it would not have been obvious to combine the teachings of the '269 and German patents. In the circumstances of this case, however, the prior art '269 patent teaches that at least two major advantages inure from use of the headbox described therein, those being a high degree of fiber dispersion and a low level of turbulence in the discharge jet. One skilled in the art, deemed to be aware of these teachings, would have had ample reason to take the natural and obvious step of carrying them over to the closely related, well known multi-ply papermaking art, despite any apprehension of problems caused by a potential relative velocity of stocks. Apparently there were no such problems.

In reaching the above conclusion, we of course have given effect to the statutory presumption of validity accorded the '593 patent by 35 USC 282. In this case, however, there is prior art, the German patent, which was not cited by the examiner but was conceded by Beloit's technical expert to be, in certain crucial aspects, more pertinent than art the examiner did cite. As stated in *Solder Removal Co.* v. *ITC*, 582 F.2d 628, 199 USPQ 129 (CCPA 1978),

> Rebuttal of the presumption may be more easily had and more often achieved in reliance on prior art more pertinent than that considered by the examiner; but whether rebuttal is achieved requires careful consideration of whether the prior art relied upon does in truth render the claimed invention anticipated or obvious.

Our careful consideration of the prior art in this case leads us to conclude that KMW has carried its burden and effectively rebutted the presumption.

We have also taken into account the evidence of long-felt need and commercial success, but in this instance we deem it insufficient to persuade us of validity. The dominant reason is that the '269 headbox, which is prior art crucial to our finding of invalidity, itself achieved commercial success and satisfied a long-felt need. Thus it undoubtedly contributed to the success of the '593 headbox, which incorporates its teachings, diminishing the weight usually given to success of an improvement invention.

Thus, as stated at the outset, we hold the claims in suit of the '593 patent invalid for obviousness under § 103 and reverse the contrary determination of the ITC.

The Injury to a Domestic Industry Determination

The ITC defined the domestic industry as that portion of Beloit's facilities which exploits *both* patents, and determined that KMW's unfair acts have a tendency to substantially injure the domestic industry. This determination was premised, in part, on the antecedent determinations that both the '269 and '593 patents are valid and infringed. Our contrary conclusions with respect to the '593 patent thus may have an effect on the continued propriety of the ITC's injury determination, including its definition of domestic industry. We therefore vacate that determination and remand this case to the ITC to reconsider, if necessary, its injury determination and definition of domestic industry in light of the foregoing.

Alleged Deprivation of Procedural Rights

As mentioned at the outset, after the President disapproved on policy grounds the order arising from the first investigation, the ITC initiated a second investigation on its own motion. The notice of this investigation stipulated that no issue concerning the violation of section 337 addressed in the first investigation would be relitigated unless (1) a party filed a petition presenting new evidence concerning the violation alleged in the first investigation and showing good cause for relitigation, and (2) the ITC granted the petition. KMW thereafter petitioned the ITC to "introduce new evidence and to amplify and update the record." Specifically, KMW asked for permission to:

> (1) amplify the record to show that there has been head-to-head competition between Beloit's single layer headboxes which can be converted to make multilayer paper and KMW's multilayer headboxes which can be converted to make single layer paper;
>
> (2) amplify the record to show that the short-vane version * * * of the two KMW headboxes sold to Scott Paper Company was intended for use as a single layer headbox so that the "domestic industry" should have been broadened to include it in the prior investigation;
>
> (3) introduce evidence relating to the structure and operation of KMW's modified multilayer headbox and to obtain a determination that it does not infringe the claims of either of the patents; and
>
> (4) have discovery necessary to amplify and update the record on the issue of injury to a domestic industry.

KMW's petition was opposed jointly by Beloit and the Commission Investigative Attorney because it did not conform to the requirements enunciated in the notice of investigation. The ITC agreed, and so denied the petition.

KMW contends on appeal that the ITC's denial of its petition deprived it of its statutory right to present all defenses in an investigation. The statute relied upon is 19 USC 1337(c), which provides in part that all legal and equitable defenses may be presented in all cases. Also implicated in the arguments on this point is 19 USC 1337(g)(2), which provides in part that determinations disapproved by the President shall have no force or effect.

We are not persuaded that the ITC's actions in this case contravene any of the provisions of section 337. Section 337(c) was not violated; KMW had adequate opportunity to present its legal and equitable defenses, albeit during the first investigation. Thus, in this case, the ITC's violation determinations were based on a record compiled in a case where KMW could have the opportunity to and in fact did present its legal and equitable defenses. Also, the ITC set up a procedure to ensure that if evidence concerning additional defenses had arisen since the compilation of the record in the first investigation, the record could be expanded accordingly. KMW has not shown that the additional evidence it sought to introduce in the second investigation was not available in the first investigation. In the circumstances of this case, the ITC's actions satisfied section 337(c). Nor did the ITC violate section 337(g)(2); it did not give the *determination* arising out of the first investigation either force or effect. What it salvaged from the first investigation were the record and the findings and conclusions of the presiding officer. This is no statutory prohibition against giving them continued effect. Thus, the ITC's procedure in this case was not contrary to statute. When KMW presented a petition which was not in conformity with the conditions of the second investigation, and we agree with the ITC that it was not, the ITC properly denied it.

CONCLUSION

The findings of validity and infringement of the claims in suit of the '269 patent are affirmed. The finding of validity of the claims in suit of the '593 patent is reversed. The determination of tendency to substantially injure a domestic industry is vacated, and the case is remanded for reconsideration in light of our finding of invalidity of the '593 patent. We find no error in the ITC's procedures in this case.

Affirmed in part, reversed in part, vacated in part, and remanded.

THE UNITED STATES, APPELLANT v. ROSES INC., APPELLEE

Appeal No. 82-27

706 F.2d 1563

(Decided: April 25, 1983)

Sheila N. Ziff, of Washington, D.C., argued for the United States. With her on the brief were *J. Paul McGrath*, Assistant Attorney General, Washington, D.C., *David M. Cohen*, Director and *Velta A. Melnbrencis*, New York City.

Eugene L. Stewart, Washington, D.C., argued for appellee. With him on the brief were *Terence P. Stewart* and *Paul W. Jameson*, Washington, D.C., of counsel.

Before NICHOLS, MILLER, and SMITH, *Circuit Judges.*

NICHOLS, *Circuit Judge.*

This is an appeal by the United States from an order of the Court of International Trade (CIT) requiring the Department of Commerce to initiate an antidumping investigation, despite its prior refusal to do so. We agree with the CIT that the administrative proceedings are tainted by serious illegality, but disagree as to the remedy selected. We remand to the CIT for further proceedings in conformity with this opinion.

I.—HISTORY OF THE CASE

Roses Incorporated is a trade association of domestic rose growers and is accepted as having standing to petition, as it has, for assessment of antidumping duties against the importation of fresh cut roses from Columbia, South America. It filed its original petition with the Commerce Department on June 4, 1981, pursuant to 19 U.S.C. § 1673a(b)(1) (Supp. V 1981). That Department gave the matter immediate attention, being aware that by 19 U.S.C. § 1673a(c) it had but 20 days to decide what to do. It notified appellee's counsel that the petition was defective in its view, and he filed additional data on June 19, 1981. Meanwhile, an association of Columbian rose growers (Asocoflores) learned of the filing and advised the Commerce Department it was seeking disclosure of appellee's confidential data under the Freedom of Information Act, 5 U.S.C. § 552 (1976). Additionally, the Commerce Department received letters from the Columbian Embassy and from Asocoflores containing data that traversed appellee's in some respects. On June 22, 1981, the International Trade Administration (ITA or agency), the arm of Commerce responsible in the premises, conducted an *ex parte* meeting with the Economic Minister of the Columbian Embassey, counsel for Asocoflores and others. The petition was discussed and objections to it noted. A study by PROEXPO, a Columbian body, was discussed but not then filed. On June 24, 1981, the ITA notified counsel for appellee to withdraw the petition the next day or it would be dismissed, but he could submit another petition if he wished. On June 25, 1981, it was dismissed, with proper notice in the Federal Register. The dismissal was on other grounds than those urged by outside objectors.

On July 13, 1981, appellee, instead of filing another petition, sued in the CIT. It prayed for a declaratory judgment that the agency negative determination was unlawful, an order to the agency to institute an investigation forthwith, and such other relief as the court might decree proper.

Under date of April 28, 1982, the CIT held that the ITA proceedings were illegal, on the ground that the Columbian government and exporters should not have been allowed to submit information or otherwise participate in evaluation of the petition. Upon "perusal" of the original petition of June 4, 1981, the court determined that it, with its supporting data, contained allegations making mandatory the commencement of the next or investigatory stage of an antidumping proceeding. Accordingly, the court ordered that the petition be reinstated and the investigation be commenced. This appeal by the government followed.

II.—STATUTES APPLICABLE

This case derives much of its interest from the relative novelty of the statutes to be construed.

The jurisdiction of the CIT to review the decision of the ITA not to investigate as aforesaid, derives from 19 U.S.C. § 1516a (Supp. V 1981), and from 28 U.S.C. § 1582 (Supp. V 1981). Its authority to act upon its conclusions, in an appropriate case by ordering institution of an antidumping investigation, does not seem to be challenged—the issue being whether this is an appropriate case.

The manner of initiating an antidumping investigation, and the legal consequence of doing so, are completely recast in this legislation. The legal effect of a decision to conduct such an investigation is stated in 19 U.S.C. § 1673b, and does not include suspension of liquidation, except to a limited extent in stated "critical circumstances," until affirmative preliminary determinations are made as to a reasonable indication of injury to a domestic industry and a reasonable basis to suspect sales at less than fair value. These provisions were enacted as part of the Trade Agreements Act of 1979, Pub. L. No. 96-39, which repealed the former antidumping law.

In general, by § 1673a, the "administering authority" shall commence an investigation whenever it—

> determines, from information available to it, that a formal investigation is warranted * * *.

or whenever an "interested party"—

> files a petition with the administering authority, on behalf of an industry which alleges the elements necessary for the imposition of the duty imposed by section 1673 of this title, and which is accompanied by information reasonably available to the petitioner supporting these allegations.* * *

The administering authority "[w]ithin 20 days after the date on which petition is filed" shall—

* * * * * * *

> (1) determine whether the petition alleges the elements necessary for the imposition of a duty under section 1673 of this title and contains information reasonably available to the petitioner supporting the allegations,
>
> (2) if the determination is affirmative, commence an investigation * * *.
>
> (3) if the determination is negative, dismiss the petition * * *.

Accordingly, an antidumping investigation must be commenced if the administering authority determines, *sua sponte*, that commencement is warranted, or if it determines that a petition, duly filed, alleges the elements necessary for relief supported by information reasonably available to the petitioner. Unlike previous practice, a petition may not be refused for filing on the grounds that the information contained is not sufficient to allege dumping. Rather, the petition must be accepted for filing and then the authority must determine within 20 days whether to initiate an investigation.

III.—Opinion

A

The first question we must decide is whether, as the CIT thought, the mere receipt of oral or written material from persons representing the anticipated targets of the investigation, or their diplomatic representatives, during the 20 days following the filing of the petition, taints a decision to dismiss with illegality even though the dismissal is based, as here, on other grounds than those urged by the said targets, at least ostensibly. One's possible first impulse to hold the error was no worse than harmless is replaced on study of the statutory scheme by an appreciation that the CIT judge was right in attaching to the transaction the significance that he did.

In the first place, he quotes some very telling legislative history, and we can do no better than to quote it also. It is a colloquy between Senator Ribicoff, Chairman of the Subcommittee on International Trade of the Committee on Finance and floor manager of the bill, and Senator Danforth, co-sponsor of the legislation, explaining the bill on the Senate floor. 125 Cong. Rec. 20172 (1979):

> Mr. Danforth. Should not the administering authority, like the courts, look only to the four corners of the petition—the pleading—and the information filed supporting the allegations and not elsewhere?
>
> Mr. Ribicoff. Definitely yes.
>
> Mr. Danforth. Since, at this stage, it is not the intent of Congress to have ongoing an advocacy proceeding, petitions or information seeking to rebut the allegations should not be considered by the administering authority, is this not correct?
>
> Mr. Ribicoff. That is correct. This is not to say, however, that the administering authority, like a court, may not take "judicial notice" of facts within the public domain.
>
> Mr. Danforth. How much supporting information should be required of the petition?
>
> Mr. Ribicoff. It is the intent of this legislation that the determination as to the information reasonably available to any pe-

> titioner be made in light of the circumstances of each petitioner.
>
> Mr. Danforth. Should the "reasonably available" information requirement be the basis for the administering authority refusing to proceed with an investigation?
>
> Mr. Ribicoff. No.

It is plainly implicit in the statutory language already quoted that a decision to dismiss a petition without any investigation will not be based on information from anticipated targets. In a spontaneously generated decision to investigate, the administering authority is to consider all information "available to it" which of course the target would always be happy to add to. The investigation then is to be made only if "warranted." Doubtless it would be an abuse to start an unwarranted investigation in such circumstances. But when there is a petition sufficient on its face, and as checked against other "facts within the public domain," even if investigation would appear unwarranted to one who knew all the facts, surely the investigation must still be commenced. How long it need be continued under such circumstances, we do not consider. This is the statutory scheme and appellant does not contend otherwise. Its carefully phrased brief urges no more than that the information from the targets could have been and presumably was received for consideration and possible use only after the investigation was under way.

Second, appellant invokes the presumption of governmental good faith. *Kalvar Corp.* v. *United States,* 543 F. 2d 1298, 1301 (Ct. Cl. 1976). This is a decision of a predecessor court binding on us.

However, there is no issue of good faith in this case. It is unchallenged that everyone concerned has acted in good faith, trying to accommodate to a new law which imposes new rights and new duties. What appellant is really talking about is the presumption of regularity of government action, a related but different presumption. *See Citizens to Preserve Overton Park* v. *Chemical Foundation,* 272 U.S. 1, 14–15 (1926). Appellant says the presumption supports its assertion that the government officers did not consider the evidence they illegitimately obtained on June 22, 1981, because the law says they should not. It is really a presumption that what appears regular is regular, the burden being upon the attacker to show the contrary. It does not help to sustain an action that on its face appears irregular as here. We would say, here the presumption operates in reverse. If it appears irregular, it is irregular, and the burden shifts to the proponent to show the contrary. Here the CIT judge was clearly not impressed that the appearance of irregularity had been rebutted, nor are we.

Third, the receipt of material during the 20 days, from the anticipated target, frustrates the intended statutory scheme, even if the undisclosed intention of the authority is to ignore it until an investigation has commenced. On the one hand, if the statutory scheme is observed in appearance as well as reality, whether the investigation would appear warranted if all the facts were known, rests primarily on the veracity of the petitioner. That of the agency is not involved. We do not say, as the dissent imputes to us in a footnote, that the agency must determine if there is a reasonable basis to believe or suspect that merchandise is being dumped before an investigation is initiated. We say the contrary. If in the end the investigation proves to have been unwarranted, the reputation of the agency is not impugned. On the other hand, if the conscience of Asocoflores is clear, it can explain the initiation of the investigation to its customers as an event of no legal significance. Liquidation of duties will continue at the old rate with no addition for a dumping margin until affirmative preliminary determinations are made, as previously noted. It is not harmed in the eyes of its customers, who, it would appear, would have been used to dumping complaints by appellee, which had got nowhere previously, so far as our record goes. But if Asocoflores goes in and resists the mere initiation of the investigation, and it is still initiated, it will appear that Asocoflores has already lost the case. This is not at all the appearance Congress wanted. It is not giving the statute a chance. Therefore, we do not think it would put the agency in conformity with the statute if it persuaded the CIT that it received material from the targets with no intention of giving it the slightest consideration until after commencing an investigation.

Fourth, appellant attempts to find congressional approval of its action in 19 U.S.C. § 1677f(3) reading—

> *Ex parte meetings.* The administering authority and the Commission shall maintain a record of ex parte meetings between—
>
> (A) interested parties or other persons providing factual information in connection with an investigation, and
>
> (B) the person charged with making the determination, and any person charged with making a final recommendation to that person, in connection with that investigation.

Dumping investigations do not include and never have included due process adversary hearings, but always have included *ex parte* meetings separately with the contenders. Obviously there is no intent in the Trade Agreements Act of 1979 to change this. Congress was concerned with providing interested parties with maximum access to information presented, and the requirement of recording *ex parte* meetings is one statutory provision reflecting this concern. But the language simply does not speak to the timing of what, done at the right time, would be a perfectly proper thing to do, provided a record was kept as Congress required. Appellee has an elaborate, but in our view, needless, argument to support this self-evident conclusion. Suffice to say that this provision, in view of the entire statutory scheme, does not persuade us that Congress sanctioned *ex parte* meetings with targets during the 20-day period of petition review.

Finally, appellant urges the sensitivity of dumping investigations and the need to conduct them in a manner to minimize the damage they could cause to our relations with friendly foreign countries. We are sure Congress was not indifferent to this factor, though appellant cites nothing from the legislative history of the Trade Agreements Act of 1979 to support its argument. We are sure the CIT is aware of it, as are we. However, we doubt if the Columbians would be very grateful for the hastily assembled *ex parte* meeting with their representatives during the running of the 20-day period if they were told, or read in appellant's brief here, that their arguments against commencement of investigation would be ignored in deciding whether to initiate one, and considered only later and for a different purpose. We think the foreigner would be better mollified if he were frankly told the statute as construed by the courts permitted *ex parte* meetings with him, only later on, and Congress had acted to limit if not avert the harm to trade that might have been caused by an unwarranted investigation, by providing that liquidations at the old rate would continue until affirmative preliminary determinations are made.

B

The next question we must decide is whether the CIT erred in ordering the agency to commence the investigation. Its position in substance was that the agency was obliged to commence it if "perusal" of the petition revealed that it included the necessary allegations, *i.e.*, those that, if true, would establish the existence of a dumping margin. A corollary of this position would be that an attorney for a trade association who knew how to prepare a pleading could make it a mandatory or ministerial duty of the ITA to initiate the investigation, even though to the agency's certain knowledge, the investigation would be unwarranted. We have already shown that this would be true insofar as the information to show the investigation was unwarranted would have to come from the target of the investigation itself, and was not in the possession of the government on the filing date. This is not to say, however, that no screening of the petition with the aid of agency expertise is permissible, and that a private organization can requisition the investigative resources of the United States without the United States having a word to say about it. The CIT judge conceded, as the legislative history he relied on (see above) obliged him to do, that the ITA might screen to the extent of taking "judicial notice" of "facts within the public domain." He does not seem to have considered the potential magnitude of this concession, and its inconsistency with a holding that a judge could ascertain by "perusal" of a petition and supporting material, whether counsel for the Trade Association had used the right magic words and made it mandatory to commence an investigation.

Since the agency is to investigate *sua sponte* only if, on the basis of knowledge in its possession, investigation is "warranted," it would be absurd and inconsistent to say an outside party could compel an investigation the agency knew of its own knowledge would be unwarranted. If such an interpretation would be possible within the statutory language, it should be avoided. The language can also be read to permit the agency to assess the sufficiency of the petition in light of its own knowledge and expertise. The legislative history shows that something like this was intended. What information is within the "public domain"? Certainly, statutes, regulations, other Federal Register material, government statistics and publications. Certainly, laws, regulations, and possibly more, of the interested foreign government. Certainly, whatever assistance the agency offers, and Congress expects it to help a good deal. The Senate Committee said:

> The committee expects the authority to advise and to assist private parties as appropriate, *before they file a petition.*

[Italic supplied.—S. Rep. No. 96-249, *Trade Agreements Act of 1979,* 2 U.S. Code Cong. & Ad. News, 96 Cong. 1st. Sess. 1979, 381, 449.]

The reference to "judicial notice" invites attention to Federal Rule of Evidence § 201, which defines what facts may be judicially noticeable.

> (b) *Kinds of facts.* A judicially notice fact must be one not subject to reasonable dispute in that it is either (1) generally known within the territorial jurisdiction of the trial court, or (2) capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned.

Rule 803(8) is also to be noted. It deals with the admissibility of *Public records and reports,* and matter there referred to is admissible as an exception to the hearsay rule even if the "declarant" is available.

Our conclusion is that Congress intended the application of agency expertise, not only to examine the petition and supporting data for internal inconsistencies, but also to evaluate it in light of a wide body of other information, to the end that, so far as possible, the commencement of unwarranted investigations should be avoided. For example, only a statistical expert could tell what use of census import statistics was valid and what was invalid. A judge is not by virtue of his robe an expert on the use of statistics.

It is also evident from the text of the statute, that once a petition is filed, the 20 days for required action start to run and there is no provision for extension by agreement. If, as the end of the period approaches the agency does not know whether to say yes or no, but only maybe, it has to say no in order to preserve its position. If it said yes, it would have to investigate and the chance to consider further would be gone. This might appear to be thus a counterproductive requirement from the domestic industry point of view except for the expectation that normally the authority will advise and assist petitioners before they file.

This further reflects the use of agency expertise in screening petitions, and the expectation that petitioners will respect that expertise, and resort to it before filing, correcting if possible deficiencies that would be pointed out to them. A petitioner who did not report to this procedure might expect an initial rejection as the agency would often have no chance to make its input into the petition to obtain needed revisions, and would have to reject. Such rejection would not be final as to the dumping complaint itself because the petitioner, instructed by the rejection, could file a new petition to correct the deficiencies in the previous petition.

In light of these matters, even when, as here, an agency has followed procedures tainted by illegality in some respect, it must as a general rule be an abuse of authority for a CIT judge to substitute his own opinion for that of the agency and order an investigation on his own, instead of remanding the case for agency determination according to correct procedures. *See, e.g., S.E.C.* v. *Chenery Corp.*, 318 U.S. 80 (1943). There is no question of agency bad faith here and what the CIT should do in a case of bad faith is not here relevant. Everyone is trying to learn by doing how to operate under a novel and unfamiliar statutory procedure, casting everyone, petitioner, agency, CIT, and ourselves, in novel and unfamiliar roles. The agency personnel are shown by the record to be attempting in good faith to perform the screening function the statute, as we construe it, calls on them to perform. Even if they are mistaken in certain particulars, that is no warrant for taking out of their hands the decision that is still for them to make.

The CIT opinion seems to shuttle between saying the agency personnel have no role except to read the petition and act on it if facially within its own four corners, it meets requirements, and saying that the agency has required, contrary to statute, that the appellee supply information not reasonably available to him.

Under the former rubric, the CIT judge criticizes the agency for disregarding data submitted by appellee based on census reports, because this has previously proved unreliable in other cases. He says, unless the unreliability is—

> [W]ithin common knowledge, so that the defendant [appellant here] can be said to be justified in taking what amounts to judicial knowledge of that fact, it should not be discredited merely because the same study contains data which proved erroneous as to other merchandise.

As we understand it, the appellee attempted to construct a mean or average invoice price for sales of Columbian roses for export to the United States, by use of the total numbers of entries, dollars earned, and quantities, in the census statistics. This would appear a novel and unexpected use of census statistics, and whether it is sufficiently reliable to form the basis of a decision to initiate an investigation, would seem a matter peculiarly for agency expertise. The average prices developed in this way apparently were lower than those obtained by appellee in its own commissioned study made in the country of origin. Appellee felt it had to submit the whole of this study, as part of the "information available to it."

The CIT also seems to say that a petition allegation is sufficient to mandate initiation of investigation because it alleges that roses from Columbia are being sold at less than fair value, a mere ultimate conclusion. Of course a sale at less than fair value is, in the simplest case, one where the invoice price on sales to the United States is less than the price on sales in the home market, after proper adjustments. The CIT criticizes the agency for requiring appellee to furnish statistics on prices in sales to the United States to support its allegations. This information, however, has been required for years under various antidumping regulations. *See, e.g.*, 19 C.F.R. §14.6(b)(2), (1958 Supp.); 19 C.F.R. § 153.27(a)(3) (1979). Current agency regulations require submission of United States price data only "to the extent *reasonably available* to the petitioner." 19 C.F.R. § 353.36(a) (1982) (emphasis added). This regulation is in no way inconsistent with statutory language or legislative intent. It may be noted that appellee did purport to furnish this information, both in its confidential survey report and in its census data. If appellee said the information was not reasonably available, that would be another case. Here, however, appellee submitted not one, but two sets of data to support its allegations. If it had been willing to re-petition as the agency wished it to do, possibly it could have obtained the information from the agency or otherwise settled on some form of presentation the agency would have accepted as reliable, at least for the limited purpose of commencing an investigation, which would determine only that a prima facie case had been made.

Even if the CIT judge's criticisms of the agency's positions were more valid than we think they are, it would have been more appropriate to apply something analogous to an exhaustion doctrine, and not interfere judicially until appellee had actually attempted to submit a revised petition and established that it could in no way satisfy the agency requirements and say what it had to say to get the investigation started.

IV.—CONCLUSION

We affirm the decision of the CIT so far as it declares that the receipt of representations by the agency, ITA, from the intended targets of investigation, or their representatives, were unwarranted in law when done. We reverse the decision of the CIT so far as it orders the immediate commencement of an antidumping investigation and other related measures. We remand for further proceedings consistent with this opinion. We do not require that the action be dismissed. The CIT may monitor future proceedings to assure that they are conducted in accordance with law.

In view of the time that has elapsed, we believe it would be appropriate to allow appellee to file, if it wishes, a new petition, which will start a new 20-day period to run. When the petition is in draft form, agency staff should be available to perfect it before filing, to the end that, if the agency again refuses to investigate after filing, there will be an issue really ripe for judicial review. The court may, if it wishes, require that the ITA staff in charge of the case shall not include persons who met with representatives of the targets of the proposed investigation and received representations by them.

Affirmed in part, reversed in part, and remanded.

MILLER, *Circuit Judge*, dissenting in part.

Although I completely agree with the majority opinion's conclusion that receipt of representations by the International Trade Administration from the intended targets of investigation, or their representatives, was illegal, I have concluded that the Court of International Trade properly held that appellee's petition satisfies the requirements of the statute, 19 U.S.C. § 1673a(b)(1), so that the petition should be reinstated and the investigation should be commenced.

The statute provides that ITA *shall* institute an antidumping proceeding if the petition alleges the elements of a dumping violation and includes information reasonably available to the petitioner supporting those allegations.

> § 1673a. *Procedures for initiating an antidumping duty investigation*
>
> * * * * * * *
>
> (b) *Initiation by petition*
>
> (1) *Petition requirements*
>
> An antidumping proceeding shall be commenced whenever an interested party described in subparagraph (C), (D) or (E) of section 1677(9) of this title files a petition with the administering authority, on behalf of an industry, which alleges the elements necessary for the imposition of the duty imposed by section 1673 of this title, and which is accompanied by information reasonably available to the petitiner supporting those allegations. The petition may be amended at such time, and upon such conditions, as the administering authority and the Commission may permit.

Within 20 days after the date of filing the petition, ITA is required by 19 U.S.C. §1673a(c) to determine whether the petition alleges the necessary elements and whether it contains information reasonably available supporting the allegations. If this determination is affirmative, an investigation *shall* be commenced to determine whether merchandise is being sold at less than fair value.

> (c) *Petition determination*
>
> Within 20 days after the date on which a petition is filed under subsection (b) of this section, the administering authority shall—
>
> (1) determine whether the petition alleges the elements necessary for the imposition of a duty under section 1673 of this title and contains information reasonably available to the petitioner supporting the allegations,
>
> (2) if the determination is affirmative, commence an investigation to determine whether the class or kind of merchandise described in the petition is being, or is likely to be, sold in the United States at less than its fair value, and provide for the publication of notice of the determination in the Federal Register, and
>
> (3) if the determination is negative, dismiss the petition, terminate the proceeding, notify the petitioner in writing of the reasons for the determination, and provide for the publication of notice of the determination in the Federal Register.

Unless the ITA's determination is negative, the International Trade Commission (Commission) is to determine within 45 days after the date of filing of the petition whether there is a reasonable indication that a U.S. industry is materially injured or threatened with material injury, or establishment of a U.S. industry is materially retarded. 19 U.S.C. § 1673(a). Then, within 160 days after the date of filing of the petition, ITA determines whether there is a reasonable basis to believe or suspect that the merchandise is being dumped.[1]

Thus, 19 U.S.C. § 1673b(b)(1) provides:

> (b) *Preliminary determination by administering authority*
>
> (1) *Period of antidumping duty investigation*
>
> Within 160 days after the date on which a petition is filed under section 1673a(b) of this title, or an investigation is commenced under section 1673a(a) of this title, but not before an affirmative determination by the Commission under subsection (a) of this section, the administering authority shall make a determination, based upon the best information available to it at the time of the determination, of

---

[1] The majority opinion would have these determinations made *before* an investigation is initiated. Although the majority opinion asserts that it says the contrary, its subsequent description of the agency's role in evaluating petitions *at the preinvestigatory stage* belies the assertion. Specifically, the majority opinion would read the statute to allow, indeed, require, the agency to assess the allegations of the petition and the supporting data "in light of its own knowledge and expertise * * * Federal Register material, government statistics and publications * * * laws, regulations, and possibly more, of the interested foreign government." The majority opinion concludes that

> Congress intended the application of agency expertise, not only to examine the petition and supporting data for internal inconsistencies, but also to evaluate it in light of a wide body of other information, to the end that, so far as possible, the commencement of unwarranted investigations should be avoided.

Thus, even in situations, where a petitioner both alleges the elements of dumping and provides information supporting its allegations (which is all that the statute requires), the majority opinion would allow ITA to *subjectively* weigh the credibility of the petitioner's supporting data against other, contradictory data, and to make this *factual* determination at the *preinvestigatory* stage. That is precisely what occurred in the present case.

> whether there is a reasonable basis to believe or suspect that the merchandise is being sold, or is likely to be sold at less than fair value. If the determination of the administering authority under this subsection is affirmative, the determination shall include the estimated average amount by which the foreign market value exceeds the United States price.

The foregoing constitutes the screening process to weed out cases that are without merit.[2]

The legislative history of the Trade Agreements Act of 1979 (Pub. L. 96-39, 93 Stat. 163) provides the guidelines intended to be followed by ITA in evaluating petitions—those specifically relating to the virtually identical statutory provision (1671a(b)) on countervailing duty investigations.

> Indeed, the Committee intends that the Authority will act upon all petitions which, based upon facts reasonably available to the petitioner, make reasonable allegations of the presence of the elements necessary for the imposition of a countervailing duty under section 701(a). Consequently, the Committee expects that the Authority will act upon most petitions, rejecting only those which are clearly frivolous, not reasonably supported by the facts alleged or which omit important facts which are reasonably available to the petitioner. The Committee views the rigor of the requirements of this threshold test as roughly analogous to the rigor of the requirements necessary to make out a cause of action for purposes of civil litigation. Furthermore, if the initial petition is dismissed because certain required information is not included or is not presented in a manner that is acceptable to the Authority, it is expected that the administering authority will direct the petitioner to possible sources of information.

H.R. Rep. No. 317, 96th Cong., 1st Sess. 51 (1979).

The majority opinion proceeds on the premise that it would be absurd to say that an "outside party" (albeit an "interested party" on behalf of an industry, as provided by § 1673a(b)(1)) could compel an investigation the ITA knows of its own knowledge would be unwarranted. However, Congress did not provide a "knows of its own knowledge" test. Rather, its guidelines are those quoted above, although it would be reasonable to conclude that rejection of petitions which are "clearly frivolous, not reasonably supported by the facts alleged or which omit important facts which are reasonably available to the petitioner" would avoid most "unwarranted" investigations. The point should be emphasized, however, that the intent of Congress was for ITA *not* to determine the relative credibility of conflicting evidence at the preinvestigative state, as the majority opinion would do. Thus:

---

[2] The working of this screening process is recognized early in the majority opinion, thus: "If in the end the investigation proves to have been unwarranted, the reputation of the agency is not impugned. On the other hand, if the conscience of Asocoflores is clear, it can explain the initiation of the investigation to its customers as an event of no legal significance." The opinion then proceeds to explain the statutory safeguards that protect the target during the aforementioned screening process. However, the opinion subsequently says: "If, as the end of the [20-day] period approaches the agency does not know whether to say yes or no, but only maybe, it has to say no in order to preserve its position. If it says yes, it would have to investigate and the chance to consider further would be gone." That "chance to consider further," to determine whether there is a reasonable basis to believe or suspect that there is dumping, *comes in the 160-day period*—not in the 20-day period prescribed for considering the petition.

> The committee intends section 732(c)(1) [1673(c)(1)] to result in investigations being commenced unless the authority is convinced that the petition and supporting information fail to state a claim upon which relief can be granted under section 731 or the petitioner does not provide information supporting the allegations which is reasonably available to him. * * *
>
> The committee intends the determination as to the information "reasonably available" to a petitioner to be made in light of the circumstances of each petitioner. Information may be reasonably available to one petitioner but not to another because of differing resources or other characteristics.

S. Rep. No. 249, 96th Cong., 1st Sess. 63 (1979) *reprinted in* 1979 U.S. Code Cong. & Ad. News 381, 449.

> The Committee has long been concerned that petition requirements not be so onerous as to preclude petitioners presenting meritorious complaints from obtaining the remedy provided by the law. The Committee therefore intends that no petitioner shall be required to provide information not reasonably available to him. An evaluation of what information is reasonably available will be made on the basis of the resources of the individual petitioner. The petitioner will be expected to use reasonable efforts to collect information from public and industry sources.

H.R. Rep. No. 317, 96 Cong., 1st Sess. 60 (1979).

The majority's quotation of the colloquy between Senators Ribicoff and Danforth is particularly illuminating of the intent of Congress that ITA is to "look only to four corners of the petition—the pleading—and the information filed supporting the allegations and not elsewhere." Nothing is said about "agency expertise" or what ITA "knows of its own knowledge." Judicial notice of facts in the public domain may be taken by ITA, but this does not include all facts in the public domain—only those facts of which judicial notice can be taken. *See* Rule 201 of the Federal Rules of Evidence:

> A judicially noticed fact must be one not subject to reasonable dispute in that it is either (1) generally known within the territorial jurisdiction of the trial court or (2) capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned.

Finally, I see no good reason for overruling the Court of International Trade's determination that the allegations of appellee's petition satisfy the requirements of the statute and that the supporting information from both public study and private industry survey tends to support these allegations. The petition was rejected for two reasons—because U.S. price data were not supplied and because of an apparent conflict between a Bureau of Census report (which supports appellee's allegations) and a market research report prepared by appellee, which explained why the figures in its report were not credible and that the figures were submitted merely for completeness in order to comply with its duty of disclosure. I would hold that, assuming the above-referred to guidelines are satisfied, evaluation of the information provided by appellee should be left to the investigative stage rather than made before an investigation is commenced.[3]

Also, I agree with the Court of International Trade's holding that ITA erred in requiring appellee to furnish data on U.S. selling price in its petition, absent a showing that such information was "reasonably available" to appellee.

COMMITTEE TO PRESERVE AMERICAN COLOR TELEVISION (A.K.A. COMPACT) AND THE IMPORTS COMMITTEE, TUBE DIVISION, ELECTRONIC INDUSTRIES ASSOCIATION, APPELLANTS *v.* THE UNITED STATES, APPELLEE

Appeal No. 83-578

706 F.2d 1574

(Decided: May 2, 1983)

Paul D. Cullen, of Washington, D.C., argued for appellant. With him on the brief were *Robert L. Meuser* and *Jeanne M. Forch.*

David M. Cohen, of Washington, D.C., argued for appellee. With him on the brief was *J. Paul McGrath,* Assistant Attorney General.

Barton C. Green, of Washington, D.C., was on the brief for Amicus Curiae American Iron and Steel Institute.

Frederick L. Ikenson, of Washington, D.C., was on the brief for Amicus Curiae Zenith Radio Corporation. *Philip J. Curtis,* of Glenview, Illinois, of counsel.

Before MARKEY, *Chief Judge,* DAVIS, NICHOLS, BALDWIN, and NIES, *Circuit Judges.*

NIES, *Circuit Judge.*

This appeal is from the grant of summary judgment by the Court of International Trade (trial court) in favor of the Government on all counts of the amended complaint of appellants, Committee to Preserve American Color Television and The Imports Committee,

---

[3] This conclusion is supported by 19 U.S.C. § 1677e, which requires that all information relied on for a *final* determination *in an investigation* be verified if possible, thus:

> **§ 1677e. Verification of information.**
>
> (a) *General Rule*
>
> Except with respect to information the verification of which is waived under section 1673b(b)(2) of this title, the administering authority shall verify all information relied upon in making a final determination in an investigation. In publishing such a determination, the administerng authority shall report the methods and procedures used to verify such information. If the administering authority is unable to verify the accuracy of the information submitted, it shall use the best information available to it as the basis for its determination, which may include the information submitted in support of the petition.
>
> (b) *Determination to be made on best information available*
>
> In making their determinations under this subtitle, the administering authority and the Commission shall, whenever a party or any other person refuses or is unable to produce information requested in a timely manner and in the form required, or otherwise significantly impedes an investigation, use the best information otherwise available.

Tube Division, Electronic Industries Association (COMPACT), to the extent that the complaint raised justiciable issues. Appellants seek to set aside settlement agreements concerning dumping duties on entries of certain television receivers imported from Japan. The jurisdiction of this court is founded on 28 U.S.C. § 1295(a)(5). Having considered each of the matters asserted by COMPACT as error in the decision of the Court of International Trade, as well as the arguments of the amici curiae, we affirm.

I

BACKGROUND

On April 28, 1980, the Government announced that the Secretary of Commerce had reached agreement with importers of Japanese television receivers to compromise claims for dumping duty assessments arising under T.D. 71-76, 5 Cust. Bull. 151 (1971), on receivers entered between March 1972 and March 31, 1979, and on that date executed settlement agreements with a number of the importers.

Upon learning of these settlement agreements, one of the amici to this appeal, Zenith Radio Corporation (Zenith), filed suit in the United States Customs Court, now the United States Court of International Trade, seeking to enjoin their implementation. Subsequently, appellants herein, COMPACT, filed a similar complaint containing allegations virtually identical to those made by Zenith. Consolidation of the suit has been opposed by Zenith and COMPACT and the cases have proceeded slightly out of phase with each other.

The original complaints asserted that the Secretary of Commerce lacked authority to settle dumping duty claims (first count) and that, even if such power existed, it was being exercised in bad faith (second count). Summary judgment was granted in favor of the Government on count I. *Zenith Radio Corp.* v. *United States,* 1 CIT 180, 509 F. Supp. 1282 (1981), and *COMPACT* v. *United States,* 2 CIT 208, 527 F. Supp. 341 (1981).

In the initial stages of the *Zenith* case, a dispute arose over discovery relating to information supplied to the Government by a non-party, Montgomery Ward & Co. Inc. (Wards). Wards appealed the court's order which directed the Government to turn over Wards' confidential business records to Zenith. The appeal was heard by the United States Court of Customs and Patent Appeals, one of the predecessors of this court. *Montgomery Ward & Co.* v. *Zenith Radio Corp.,* 673 F.2d 1254 (CCPA), *reh'g denied,* No. 81-24 (CCPA Order entered May 13, 1982), *cert. denied sub nom. Zenith Radio Corp.* v. *United States,* 103 S. Ct. 256 (1982) (hereinafter *"Montgomery Ward").*

In *Montgomery Ward* the court held that the Secretary possessed the requisite authority to settle dumping duty claims under section

617 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1617 (1976) (hereinafter "section 617"). 673 F. 2d at 1259-60.

The court further held that, in challenging the exercise of that authority, Zenith's complaint was directed to matters outside the permissible scope of judicial review, and that "[a]t most, Zenith may press inquiry into whether the procedural requirements for settlement [set out in section 617] were satisfied." *Id.* at 1264. It was, thus, ordered that the complaint filed by Zenith be dismissed for lack of jurisdiction. *Id.* at 1265. Further details regarding the subject settlements appear in *Montgomery Ward* and will not be recounted here.

II

After the Supreme Court denied certiorari in *Montgomery Ward*, Zenith and COMPACT were granted leave to amend their complaints. *Zenith Radio Corp.* v. *United States*, 3 CIT 243, Slip Op. 82-98, 16 Cust. Bull. and Dec., No. 49, 47 (1982); *COMPACT* v. *United States*, 3 CIT 59-60, 551 F. Supp. 1142, 1143, n.1 (1982). Both amended complaints urge five grounds for enjoining the subject settlement agreements. Again, the two law suits were not consolidated (Zenith appears here as amicus curiae).

The Court of International Trade, relying on *Montgomery Ward*, denied COMPACT's motion for a preliminary injunction, *COMPACT* v. *United States*, 3 CIT 59-60, 551 F. Supp. 1142 (1982), and consolidated the hearing on the motion with trial on the merits and granted judgment in favor of the Government on all counts. *COMPACT* v. *United States*, 3 CIT 59-60, Slip Op. 82-101, 16 Cust. Bull. and Dec. No. 49, 55 (1982). This appeal followed.

III

A

Count I raises anew the challenge to the Secretary's authority to "compromise the assessment of antidumping duties" under section 617. The Court of International Trade held that consideration of that issue was precluded under the doctrine of *stare decisis*.

It is asserted here that the issue of whether the Secretary has settlement authority was neither before the court, nor decided, in *Montgomery Ward*. COMPACT would construe the *Montgomery Ward* decision as though the appeals court had merely been "assuming the power to settle existed in the first instance."

Contrary to appellants' view, the decision of the court was explicit inasmuch as the resolution of this issue was a necessary predicate to its decision on the jurisdictional question. Arguments on the issue of the Secretary's power were of record and considered prior to the *Montgomery Ward* decision, were considered again on the petition for rehearing (in which COMPACT participated as amicus curiae), and have been reconsidered in this appeal. We remain unpersuaded that section 617 does not include the power to settle dumping duty claims, or that the Trade Agreements Act of 1979, Pub. L. No. 96–39, 93 Stat. 144 (1979), altered or limited that power.

B

Counts II–IV purport to allege violations of the procedural mandates of section 617. These allegations were considered by the trial court in accordance with the decision in *Montgomery Ward.*

The provisions of section 617 are as follows:

> Upon a report by a customs officer, district attorney, United States Attorney, or any special attorney, having charge of any claim arising under the customs laws, showing the facts upon which such claim is based, the probabilities of a recovery and the terms upon which the same may be compromised, the Secretary of the Treasury is hereby authorized to compromise such claim, if such action shall be recommended by the General Counsel for the Department of the Treasury.

The responsibility for administration of the anti-dumping laws, and specifically all functions of the Secretary of the Treasury and the General Counsel of the Department of the Treasury, were transferred to the Secretary of Commerce by Reorg. Plan No. 3 of 1979, § 5(a)(1)(C), 44 Fed. Reg. 69273, 69275, 93 Stat. 1381 (1979), including specifically, the authority to compromise claims under section 617 (§ 5(a)(1)(G)). *See* 19 U.S.C. § 2171 note (Supp. III 1979).

The Court of International Trade carefully reviewed each deficiency asserted by COMPACT and found that the procedures had been satisfied and that certain of the deficiencies asserted were not proper for judicial inquiry. We find no error in the trial court's legal standards and agree with its conclusion on each of these matters.

C

Count II alleges that there was no "report" which satisfies the opening clause of section 617. (Section 617 report.)

The administrative record discloses a comprehensive memorandum dated April 28, 1980, from Homer E. Moyer, Jr., the General Counsel of the Department of Commerce to the Secretary (together with a letter of transmittal of the same date recommending settlement) which, COMPACT does not dispute, addresses each of the criteria required in a section 617 report.*

---

*As one of the attachments to that memorandum, the General Counsel included a status report on the subject dumping proceedings, dated February 19, 1980, from the Commissioner of Customs to the Acting Under Secretary of Commerce prepared and sent pursuant to the latter's request. While that status report also addresses the criteria of a section 617 report, COMPACT argues that technically the Commissioner did not have "charge" of the claims which were being settled by the Secretary of Commerce. We do not agree, under the circumstances here, where the Commissioner's report was specifically prepared in response to a request from Commerce for use in connection with settlement of these claims, that the report was not by an officer "having charge."

COMPACT urges that this report does not satisfy section 617 for the reason that the General Counsel *himself* is not qualified under the statute to make the report. COMPACT argues that it must be prepared by some "other person." The trial court reasoned that this argument "leads to the incongruous result that although one of Mr. Moyer's subordinates could serve as a section 617 'special attorney,' and could prepare a section 617 report under the supervision of Mr. Moyer, Mr. Moyer himself could not do so." *COMPACT* v. *United States,* 3 CIT at 59–60, 551 F. Supp. at 1145. While procedures set forth in section 617 must be fully adhered to, we agree with the trial judge that "[n]o rule of construction necessitates * * * acceptance of an interpretation resulting in patently absurd consequences." *Id.*, and cases cited.

COMPACT also argues that the report is defective because it treats all of the claims as a class rather than treating each importer separately. Given the comprehensive class-wide nature of the settlement, we agree with the trial court that class-wide comprehensive treatment of the claims in the report is permissible. *Id.* at 1145–46.

D

Count III alleges that the General Counsel's recommendation contained "statements and opinions of law and fact that were false, misleading, and not supported by the record upon which the Secretary's decision was required to be based." COMPACT does not seek to set aside the settlement because the recommendation was not made. Rather, the court is asked to review the contents of that recommendation for accuracy and validity. Such an inquiry falls squarely within the proscription of *Montgomery Ward,* 673 F. 2d 1263–64, and the trial court properly refused to undertake the task.

E

Count IV alleges that the decision to settle was made by the Secretary before he received the General Counsel's recommendation. COMPACT further alleges that the "administrative record * * * does not reflect whether the Secretary actually received and read the General Counsel's recommendation." Finally, COMPACT asserts that even if received and read, the Secretary had insufficient time to comprehend the facts of a case of this "magnitude and complexity." These contentions must fail.

Without question, the Secretary should make a reasoned decision based on all of the required information, *see, e.g., Calvert Cliffs Coordinating Committee, Inc.* v. *AEC,* 449 F. 2d 1109 (D.C. Cir. 1971). However, that only a few hours were available between receipt of the report and execution of settlement agreements raises no presumption that he had not done so. *National Nutritional Foods Association* v. *FDA,* 491 F. 2d 1141, 1144–45 (2d Cir. 1974). Moreover, COMPACT does not, and could not, assert that the report was the

Secretary's introduction to the case. Without question he had been monitoring developments closely. The record precludes any inference that the Secretary was uninformed.

The Supreme Court has instructed that it would be beyond the proper role of the courts to inquire of the Secretary what weight he gave to the various factors in reaching his decision here, *United States* v. *Morgan*, 313 U.S. 409, 421–22 (1941) (*Morgan IV*), and, in any event, the Secretary is not limited solely to the factors explicated in these reports. *Montgomery Ward*, 673 F. 2d at 1264. The statute requires that settlement be entered into only after the necessary reports are received by the Secretary and that the Secretary make the settlement decision. These requirements are clearly satisfied here.

IV

Count V alleges that the exercise of settlement authority was "undertaken in bad faith and in conscious disregard for the procedures mandated by [section 617]." COMPACT asserts that the General Counsel's recommendation understated the maximum amount of duties the Government might collect absent settlement and, further, that he failed to inform the Secretary that the duties could be higher if domestic producers successfully challenged the methodology used by the Commerce Department in the duty calculations.

With respect to possible differences in the figures supplied by the General Counsel, the court in *Montgomery Ward* held, 673 F. 2d at 1264, "[p]roving that the estimate in the report * * * was lower than what Zenith considers reasonable does not destroy the lawfulness of [*the Secretary's*] decision." (Emphasis added.) The trial court, as it also did with respect to count III, correctly declined COMPACT's invitation to inquire into the General Counsel's motivation.

Conclusion

The judgment of the Court of International Trade is *affirmed*. The injunction pending appeal is dissolved.

The United States, appellant *v.* Border Brokerage Co., Inc., appellee

Appeal No. 82–15

706 F.2d 1579

(Decided: May 11, 1983)

Robert H. White, New York City, for appellant. With him on the brief were *J. Paul McGrath*, Assistant Attorney General, Washington, D.C., *David M. Cohen*, New York City, Director and *Joseph I. Liebman*, New York City, Attorney In Charge, International Trade Field Office.

Stephen Spraitzar, San Francisco, California, for appellee. With him on the brief was *George R. Tuttle*, San Francisco, California.

Before FRIEDMAN, BENNETT, and MILLER, *Circuit Judges*.

FRIEDMAN, *Circuit Judge*.

This is an appeal by the United States from a judgment of the United States Court of International Trade determining that certain imported wire rope fittings should have been admitted duty-free as "agricultural . . . implements" rather than subjected to duty as "articles of iron or steel." We affirm.

I

Wire rope fittings are used with wire rope as couplings between an object and the rope. The fittings here involved are used in the hauling of cut timber. The wire rope is wrapped around the log, and the fittings are used as couplings to secure the rope to the log. The other end of the rope is then attached to a power source (i.e., a tractor), which pulls the logs to their destination.

When the fittings were imported, the Customs Service classified them as "Articles of iron or steel . . ." under item 657.20 of the Tariff Schedules of the United States, 19 U.S.C. § 1202 (1976), and assessed a duty. The appellee protested this determination, and contended that the articles were entitled to duty-free entry as "agricultural and horticultural implements not specially provided for . . ." under item 666.00. The Service denied the protest.

The appellee filed suit in the Court of International Trade, challenging the characterization of the fittings as iron or steel articles. After a trial at which five witnesses testified and numerous exhibits were received, the court held that the fittings should have been classified as agricultural implements and admitted duty-free.

The court ruled that under *United States* v. *Norman G. Jensen, Inc.*, 550 F.2d 662 (CCPA 1977), "logging is an agricultural pursuit and, therefore, the merchandise is agricultural implements." The court interpreted *Jensen* as holding that "the growing of trees and the harvesting of them is an agricultural pursuit. . . ." The court concluded that the record showed that the fittings were "chiefly used in agriculture" i.e., "logging applications," and that they therefore were properly classifiable as agricultural implements "under item 666.00 since it is obvious that they are 'implements.' "

II

A. The government correctly points out that the Court of International Trade was mistaken in its view that *Jensen* held that "the growing of trees and the harvesting of them is an agricultural pursuit." The holding in *Jensen* was much narrower.

The question in *Jensen* was whether a particular kind of tractor used to "skid" (i.e., drag) logs was within the Tariff Schedule item covering "tractors suitable for agricultural use." The court held that "the use of Tree Farm log skidders in skidding logs on farms, including tree farms, is part of the process of harvesting timber crops and that such use is 'agricultural' for purposes of [Tariff Schedule] item 692.30. . . ." 550 F.2d at 668. The classification in *Jensen* was based on actual use. The holding in *Jensen* was only that the use of that tractor for dragging logs "on farms, including tree farms" was an agricultural use of the tractors; the court did not make the broader holding that the Court of International Trade ascribed to it.

B. The fact that the Court of International Trade relied upon an impermissibly broad reading of *Jensen* does not necessarily mean that its decision was erroneous. To the contrary, we conclude that the rationale of *Jensen*, if not its actual holding, covers this case and requires affirmance of the Court of International Trade's ruling that these wire rope fittings are agricultural implements within the meaning of tariff item 666.00.

In holding that the use of the tractors "on farms, including tree farms," was "agricultural," the court in *Jensen* relied upon the "long-standing intent of Congress that 'agriculture' be most broadly defined and . . . the legislative history of current law showing that Congress has, since well before enactment of the [Tariff Schedules of the United States], regarded the harvesting of a timber crop on a farm to be like any other crop in a general farm program . . . ." 550 F.2d at 668.

The record here shows that "tree farms" are privately held timber lands that the state has certified as being in that category. The certification means only that the timber land is managed scientifically, with an emphasis on fire prevention and reforestation after the trees have been felled.

While federally owned forests cannot be "tree farms" because they are not state certified, the "tree farm" concept is nonetheless applicable to the timber operations on them. Two forestry experts (one of whom participated in the creation of the "tree farm" concept and the development of federal laws pertaining to the management of national forests) testified that government-owned timber lands are managed in virtually the same way as tree farms. The government did nothing at trial, either by cross-examination or the introduction of contrary evidence, to impeach that evidence or cast any doubt on its correctness.

The appellee also introduced evidence, similarly unrebutted, that of the forest land in the United States, 19 percent is commercial land in the national forests that is "managed" "[e]xactly" "like tree farms," 32 percent is comprised "for the most part" of tree farms owned by the forest industry, and 40 percent is private farms and other land that includes tree farms and forest lands "managed" "[v]ery similar" to tree farms. Thus, although the record does not show the exact portion of the nation's forest lands that are either tree farms or are managed the same as tree farms, it does indicate that substantially more than half of forest lands fall into this category.

Since (1) the majority of the timber lands upon which these wire rope fittings are used are either tree farms or operated in the same way as tree farms, and (2) the existence *vel non* of a tree farm depends upon how it is operated, we conclude that under *Jensen* the use of these fittings is "agricultural." As *Jensen* recognized, Congress intended the term "agricultural" in the Tariff Schedules to have a broad meaning. It is consistent with this intention to treat as "tree farms" forest lands that are operated in the same way as tree farms, even though technically they are not tree farms. "[A]gricultural free list provisions . . . which were intended to benefit agriculture" are given "a very broad and liberal construction so that the evident purpose of Congress especially to favor agriculture might be carried out." *United States* v. *S.S. Perry,* 25 CCPA 282, 286 (CCPA 1938).

The government attempts to distinguish national forest land from tree farms on the ground that timber is removed from the former land for non-agricultural purposes (i.e., the creation of roads and recreational areas). The record refutes this argument. It indicates that roads are cut on both tree farms and national forests in order to gain access to areas where timber is to be cut and hauled away. These activities are directly related to harvesting timber because "[e]fficient harvesting of the timber by logging requires a carefully planned network of permanent forest highways together with many temporary woods roads or trails over which the logs are hauled out." 9 *Encyclopaedia Britannica* 619 (1973).

The record does not show that substantial timber cutting is done in national forests for recreational purposes or to clear land for power transmission lines. To the contrary, the record indicates that the bulk of timber cutting in national forests (as on tree farms) is done as part of an organized harvesting to satisfy the public demand for timber products.

C. The Court of International Trade correctly held that the fittings are agricultural "implements" under tariff item 666.00. The Court of Customs and Patent Appeals has interpreted the term "implement" broadly. In *United States* v. *S.S. Perry, supra,* the court held that celluloid leg bands, used chiefly to identify chickens, were agricultural implements. *See also Wilbur-Ellis Co.* v. *United States,* 26 CCPA 403 (1939) (steel bale ties); *United States* v. *Border Brokerage, Inc.,* 343 F. Supp. 1396 (Cust. Ct. 1970), *aff'd,* 461 F.2d 1383 (CCPA 1972) (plastic planting bullets used for planting and growing trees are "agricultural or horticultural implements" under item 666.00). The wire rope fittings here involved are "agricultural implements" because their principal use is in connection with the agricultural activity of harvesting timber on land that is operated as a tree farm. *See* discussion *infra.*

III

The United States contends, however, that the articles here involved are part of a broad class of wire rope fittings used in various industries, and that since the chief use of this broad class of articles is not agricultural, they cannot be characterized as agricultural implements. It relies upon headnote 10(e)(i) of the Tariff Schedules, "General Headnotes and Rules of Interpretation," which provides that "a tariff classification controlled by use . . . is to be determined in accordance with the use in the United States . . . of articles of that class or kind to which the imported articles belong, and the controlling use is the chief use, i.e., the use which exceeds all other uses (if any) combined."

The factors that are pertinent in determining a class of articles (*see United States* v. *Carborundum Co.*, 536 F.2d 373, 377 (CCPA 1976)) indicate that these wire rope fittings are a separate class, the chief use of which is agricultural. Although wire rope fittings are used in various industries (i.e., marine construction, oil rigging, mining, telecommunications, and logging), the record shows that the fittings used in logging have different physical characteristics from other fittings, and are tailored to meet the specific needs of the logging industry.

Witnesses with broad experience in the logging and the wire rope fitting industries testified that wire rope articles used in logging have distinctive characteristics. Because the fittings are used to haul heavy logs, they are constructed of a very high strength alloy and are generally stronger than fittings used in other industries. Unlike other fittings, logging fittings are also designed to be stronger than the rope with which they can be used, so that the rope will break prior to the point at which the fitting breaks. They have distinctive descriptions unique to the logging industry (i.e., bantam, light, standard, etc.), which indicate what size wire rope can be used with the fitting. They are purchased and used for logging.

In contrast, the fittings used in other industries are made of cheaper materials, and normally are described on the basis of their "safe working load," that is, the tonnage they can safely carry overhead. Without such safety markings, logging fittings are not safe to use in those industries where the fittings are used to carry objects overhead. It is also not commercially practicable to use other fittings for logging.

In short, the evidence indicates that the logging fittings are not interchangeable with fittings used in other industries; their sole function is for hauling timber after it is cut. Accordingly, they constitute a separate class—wire rope fittings used chiefly for timber harvesting on tree farms and forest lands managed under similar scientific principles.

IV

Finally, the government argues that because item 666.00 covers only agricultural implements "not specially provided for" elsewhere in the Tariff Schedules, it is inapplicable to the fittings here involved because they come within the classification of "articles of iron or steel" under item 657.20. However, headnote 10(c) states that if an article is described in two or more classifications, it is "classifiable in the provision which most specifically describes it. . . ."

We have held that these wire fittings are agricultural implements. That is a more specific description than iron or steel articles. Item 666.00 "excepts only items *specially* provided for elsewhere, and item [657.20] is not sufficiently specific to 'specially provide' for the articles it contains." *United States* v. *Miracle Exclusives, Inc.*, 668 F.2d 498, 501 (CCPA 1981) (emphasis in original), and cases there cited.

The judgment of the Court of International Trade is *affirmed.*

THE UNITED STATES, APPELLANT *v.* LOCKHEED PETROLEUM SERVICES, LTD., APPELLEE

Appeal No. 82-35

709 F.2d 1472

(Decided: May 11, 1983)

Jerry P. Wiskin, New York City, argued for appellant. With him on the brief were *J. Paul McGrath*, Assistant Attorney General, *David M. Cohen*, Director, Washington, D.C., and *Joseph I. Liebman*, Attorney in Charge, New York City.

Charles P. Deem, New York City, argued for appellee.

Before **MARKEY**, *Chief Judge*, **FRIEDMAN**, **DAVIS**, **NICHOLS**, and **BENNETT**, *Circuit Judges.*

DAVIS, *Circuit Judge.*

The United States appeals from a final judgment of the Court of International Trade in which the trial judge held appellee Lockheed Petroleum Services, Ltd. (Lockheed) entitled to drawback of duties for a manifold centre that it caused to be imported into the United States. This court has jurisdiction under § 127(a) of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25, 38 (to be codified at 28 U.S.C. § 1295(a)(5)).

I

The facts can be quickly stated. Lockheed, a Canadian corporation, manufactured the manifold centre in Canada; this device was to be incorporated in this country into the M/C BASE (a vessel documented under the laws of Canada) by Delta Shipyards of Houma, Louisiana (Delta), which was building the vessel for Lockheed's account and ownership. In 1974, Lockheed imported the manifold centre into the United States and liquidated duties were paid in full.

Before the manifold centre was actually imported into this country, appellee requested a ruling from the United States Customs Service (Customs) as to whether it would be eligible for drawback pursuant to 19 U.S.C. § 1313 (a), (g) (1976),[1] subject to appellee's compliance with Customs regulations. Customs responded affirmatively, and provided Lockheed with a drawback rate.

In August 1975, Delta completed the M/C BASE for its use by Lockheed in oil exploration on the continental shelf in the Gulf of Mexico. On August 13, 1975, a Delta official mailed the abstract of manufacturing records required by 19 C.F.R. § 22.4(g) (1982)[2] to Lockheed's counsel in New York City for review and filing with Customs in New Orleans. On August 18, the M/C BASE departed from the port of New Orleans, before receipt there of the abstract and without examination by Customs, for installation on the outer continental shelf at Block 331 of the Eugene Island area, roughly 80 miles from New Orleans in the Gulf of Mexico. On the following day, the District Director of Customs in New Orleans received the abstract of manufacture from Lockheed's New York counsel.

Lockheed then filed a drawback entry with Customs. Customs denied drawback because, it said, the M/C BASE did not clear for a foreign port pursuant to 19 C.F.R. § 22.13(f) (1982) and also because Lockheed failed to comply with 19 C.F.R. § 22.4(g) (1982), *supra* note 2, requiring that an abstract of manufacture be filed before a vessel's departure from the United States. In April 1977, Customs adversely liquidated the drawback entry and later denied Lockheed's protests regarding the denial of drawback.

Lockheed instituted this action, to recoup the drawback, in the United States Court of International Trade. The trial judge held that Lockheed was entitled to recover. In his view, Lockheed "relied on the representations of Customs that drawback would be allowed," but was denied drawback merely because the abstract of manufacture arrived too late—less than 24 hours after the M/C BASE left port—due to the "unforeseen occurrence" of slow mail delivery. The judge concluded that, in these circumstances, equitable relief was appropriate because Lockheed was not to blame for the late arrival of the abstract.

---

[1] Under this statute (which has been specifically made applicable to materials imported and used in the construction of vessels built for foreign account and ownership) importers of merchandise used in the production and manufacture of articles in this country are generally entitled to a refund as drawback, less 1% of the customs duties paid, after the articles manufactured and produced in the United States have been exported.

[2] 19 C.F.R. § 22.4(g) (1982) provides that: (g) The builder of a vessel or aircraft upon which drawback is to be claimed under section 313(g), Tariff Act of 1930, shall keep the records provided for in this section so far as applicable. An abstract of such records shall be filed with the district director at the headquarters port of the district in which the vessel or aircraft is built in ample time prior to the first departure of the vessel or aircraft from the United States to enable that officer to have the abstract verified by examination of the vessel or aircraft and the builder's records pertaining thereto.

II

We hold that the trial court erred when it held that the equities dictated an award of drawback duties to Lockheed. There was, in this case, neither compliance by appellee with the controlling requirements nor acceptable excuse for that failure. Drawback privileges under the Tariff Act of 1930 are expressly conditioned, by statute, upon "compliance with such rules and regulations as the Secretary of the Treasury shall prescribe. . . ." *See* 19 U.S.C. § 1313(j) (1976); *id.* § 1313(k) (Supp. IV 1980) (recodification). Numerous decisions have held that compliance with drawback regulations is mandatory. *See, e.g., United States* v. *W. C. Hardesty Co.,* 36 CCPA 47, 52 (1949); *American Tobacco Co.* v. *United States,* 61 Ct. Cl. 980, 991–92 (1926); *Nestle's Food Co.* v. *United States,* 16 Ct. Cust. App. 451, 457, T.D. 43199 (1929); *Spencer, Kellogg & Sons* v. *United States,* 13 Ct. Cust. App. 612, 615–16, T.D. 41459 (1926); *Lansing Co.* v. *United States,* 424 F. Supp. 112, 114, C.D. 4675 (Cust. Ct. 1976).

Lockheed failed to comply with an applicable regulation in its attempt to claim drawback. 19 C.F.R. § 22.4(g) (1982), *supra* note 2, expressly required Lockheed to file an abstract of manufacture with the district director of Customs at the port of New Orleans before the M/C BASE departed from the United States. It is undisputed that the M/C BASE left that port on August 18 and that Customs did not receive the abstract from Lockheed's counsel until August 19. Moreover, the trial court implicitly ruled that the M/C BASE did leave the United States when it was removed to the Eugene Island area at a point some 80 miles off the Louisiana coast, and Lockheed does not contest this finding on appeal.[3] We concur in the trial judge's *sub silentio* conclusion that the M/C BASE did leave the United States; that finding is not contrary to the weight of the evidence. *See Western Stamping Corp.* v. *United States,* 57 CCPA 6, 8, 417 F.2d 316, 317 (1969).

Because Lockheed failed to file the abstract prior to the departure of the M/C BASE, Customs had no opportunity to verify the contents of the abstract through an examination of the vessel. As a result, Customs could not determine for itself whether Lockheed actually incorporated the manifold centre into the M/C BASE. Lockheed's current willingness to furnish a diving bell to Customs for inspection purposes at the Eugene Island site does not mitigate the failure to comply with the terms of 19 C.F.R. § 22.4(g) (1982). That regulation is mandatory, not merely directory, and compliance is a condition precedent to the right of recovery of drawback. *Cf. United States* v. *W. C. Hardesty Co., supra,* 36 CCPA 47, 52

---

[3] The trial judge stated that there is no "opportunity for the vessel, the M/C BASE, to *again* leave the United States for the first time." *Lockheed Petroleum Services, Ltd.* v. *United States,* No. 77-9-03991, slip op. at 11 (Ct. Int'l Trade July 21, 1982) (emphasis added).

(1949).[4] Proffer of an after-the-fact substitute (cumbersome and bizarre in this instance) is not the equivalent of timely compliance.

III

The court below held that for two reasons Lockheed could recover drawback duties "under equitable principles". First, it found that Lockheed was not at fault for the asserted slow mail delivery of the abstract. Second, the court reviewed the previous communications between Lockheed and Customs which culminated in a Customs ruling that the manifold centre would be eligible for drawback. It concluded that Lockheed relied on Customs' representations that drawback would be allowed, and that Customs' subsequent denial of drawback was equivalent to forfeiture.

If there can be a case in which failure to comply with drawback requirements should properly be excused or overlooked, *cf.* 19 U.S.C. § 1520 (Supp. IV 1980), this is not one. The trial court abused its equitable powers in awarding drawback to Lockheed. Although since 1980 the Court of International Trade has possessed equitable powers akin to those of a district court (*see* 28 U.S.C. § 1585 (Supp. V 1981)), it surely cannot exercise those powers in favor of a party who, like Lockheed, is at fault for failure to comply with a mandatory regulation.[5] As we noted in Part II, *supra*, Lockheed had no legal entitlement to drawback unless it filed the abstract prior to the departure of the M/C BASE. It could have filed the abstract in a timely fashion in any number of ways to ensure compliance with the regulation, utilizing such well-known means as a telecopier, a messenger, or an overnight courier service. If it wished to use the U.S. Postal Service, it could have resorted to express mail, special delivery, or registered mail. It chose instead to rely solely on the ordinary post. The trial judge thought the failure of the ordinary mail to deliver the abstract in time was the fault of the Postal Service, but we consider that finding to be clearly erroneous. The fault was plainly appellee's. Delta (Lockheed's agent) left only the short period of five days between its mailing to New York (August 13) and the departure of the M/C BASE from New Orleans on August 18—although the abstract had to go from Louisiana to New York and then back again to Louisiana. There is nothing in the record to show what constituted a reasonable or normal period of time for a piece of regular mail to move from Louisiana to New York and then back to New Orleans. Indeed, there is no proof to indicate when Lockheed's New York counsel actually mailed the abstract to Customs in New Orleans. And at the very least, appellee could have inquired from Customs in New Orleans, before permitting the vessel to leave that port, whether the abstract had been received. Lockheed has offered no explanation as to why it allowed the M/C BASE to leave before the abstract arrived in New Orleans, thus foreclosing the opportunity for Customs to examine the vessel before it departed.

---

[4] In *Hardesty, supra*, an importer sought drawback under the Tariff Act of 1930 for imported articles used in the manufacture of domestically-produced items which were, in turn, exported. The importer's broker mailed a notice of intent to export for benefit of drawback to the Collector of Customs at the port as prescribed by applicable regulations, but it arrived too late for the customs officials to inspect the merchandise before it was laden for export. *Hardesty, supra*, 36 CCPA at 49. The court found drawback to be properly denied because the notice of intent was not filed in a timely fashion, and because no inspection occurred; the court did not attribute fault to the post office for the late delivery of the notice, but rather to the importer and its broker. *Id.* at 52.

[5] We do not purport to pass upon the full extent of the court's equitable powers or whether the 1980 amendment gives the court any authority in addition to the power to grant new types of remedies (*e.g.*, injunctive, declaratory).

In these circumstances, we cannot say that Lockheed was blameless for the late arrival of the abstract. *Cf. United States* v. *W.C. Hardesty Co., supra,* 36 CCPA 47, 49–52 (1949). Lockheed had several means at its disposal which it could have employed to guarantee compliance with the regulation, yet it neglected to use any of them. Equitable powers, even if available, should not be invoked to excuse the performance of a condition by a party that has not acted with reasonable, due care and diligence. *See Grymes* v. *Sanders,* 93 U.S. 55, 61 (1876); *Anderson Brothers Corp.* v. *O'Meara,* 306 F.2d 672, 677 (5th Cir. 1962); *Williams* v. *IAM,* 484 F. Supp. 917, 920 (S.D. Fla. 1978); *aff'd,* 617 F.2d 441 (5th Cir.), *cert. denied,* 449 U.S. 840 (1980); *cf. Farnsworth* v. *Duffner,* 142 U.S. 43, 48 (1891).

We are also not persuaded that Lockheed can properly rest on the alleged earlier representations of Customs that drawback would be granted, or that the denial of drawback worked a forfeiture against Lockheed. Even if we assume *arguendo* that (1) the Customs officials had actually asserted that there would in fact be no inspection and that (2) they had the legal authority to waive inspection of the M/C BASE prior to the filing of the abstract—both doubtful points we need not now decide—Lockheed still could not recoup the drawback duties because it failed to follow the mandate of 19 C.F.R. § 22.4(g) (requiring an abstract to be sent) through its own affirmative negligence.[6] The judgment of the United States Court of International Trade is *reversed.*

SHAW INDUSTRIES, INC., MOHASCO CORP., QUEEN CARPET CORP., and TICE YARNS, APPELLANTS v. THE UNITED STATES, APPELLEE

Appeal No. 83–641

709 F.2d 46

(Decided: May 27, 1983)

Mark R. Eaton, of Washington, D.C., argued for appellants. With him on the brief were *John B. Rehm* and *Elliott Goldstein.*

Madeline B. Kuflik, of New York, New York, argued for appellee. With her on the brief were *J. Paul McGrath,* Assistant Attorney General, *David M. Cohen,* Director and *Joseph I. Liebman,* Attorney in Charge, International Trade Field Office.

---

[6] In view of our disposition of the case, we do not reach the issue of whether Lockheed should be denied drawback because the M/C BASE did not clear for a foreign port in accordance with 19 C.F.R. § 22.13(f) (1982).

Before **Bennett**, **Miller**, and **Smith**, *Circuit Judges.*

Miller, *Circuit Judge.*

This case is before us on appeal by Shaw Industries, Inc., from the judgment of the Court of International Trade, 4 CIT 188, 554 F. Supp. 1240 (1982), on stipulated facts, sustaining the Government's classification of Shaw's imported machinery under Tariff Schedules of the United States (TSUS) item 670.43 and rejecting Shaw's claimed classification under TSUS item 670.12. We affirm.

Familiarity with the facts set forth in the opinion below is presumed.

The pertinent statutory provisions, found in TSUS, Schedule 6, Part 4, Subpart E, are set forth below:

Schedule 6.—Metals and Metal Products

PART 4.—MACHINERY AND MECHANICAL EQUIPMENT

Subpart E—Textile Machines; Laundry and Dry-Cleaning Machines; Sewing Machines

[Classified]:

	Machinery for washing, cleaning, drying, bleaching, dyeing, dressing, finishing or coating textile filaments, yarns, fabrics or made-up textile articles * * * and parts of such machinery:	
670.43	Other	8% ad val.

[Claimed]:

670.12	Textile reeling or winding machines; textile beaming, warping, or slashing machines, and other textile machines for preparing yarns to be woven, knit, braided, or otherwise made into textile fabrics or other textile articles.	7% ad val.

Pertinent general interpretative rules are as follows:

10. (c) an imported article which is described in two or more provisions of the schedules is classifiable in the provision which most specifically describes it * * *

10. (d) if two or more tariff descriptions are equally applicable to an article, such article shall be subject to duty under the description for which the original statutory rate is highest * * *.

The Court of International Trade concluded that appellants' imported machinery, the Superba, is a textile finishing machine, thus falling within the item 670.43 classification; further, that the Superba is a textile preparing machine, thus falling within the item 670.12 classification. However, the court held that item 670.43 more specifically describes the Superba than item 670.12, because a machine may only be considered a finishing machine where it performs the last or final process during a particular stage of production; whereas, a machine may be considered a preparing machine during any phase of any stage of production. Therefore, the court reasoned, the possible number of preparing machines is "infinitely large" in comparison to the possible number of finishing machines.

In considering the relative specificity of items 670.12 and 670.43 with respect to the Superba, more is required than a mere comparison between "finishing" machines of item 670.43 and "preparing" machines of item 670.12, because additional words applicable to the Superba are involved in the statute. Thus, item 670.43 relates to other textile machines for "finishing * * * yarns" *generally,* and these "comprise a *multitude* of fibers or filaments that have been separated, made parallel, overlapped, and twisted together." (Emphasis added.)[1] In contrast, item 670.12 relates to other textile machines for "preparing yarns to be * * * made into textile fabrics," which is a more specific end use and, therefore, would more specifically describe the Superba, which prepares yarns to be made into tufted carpet *exclusively.* Counterbalancing this is the Government's point that "preparing" relates to any phase of any stage of production and that this less specifically describes the Superba. However, we note that "finishing" by the Superba has at least five phases according to the stipulation: presteaming, heat setting, drying, cooling, and winding onto cones or cylinders. Also, the following quotation from Kirk-Othmer, 22 Encyclopedia of Chemical Technology 769 (3d ed. 1983) is persuasive that "finishing" is a much broader description than found by the Court of International Trade.

> The principal classes of textile fibers and fabrics include cellulosic, synthetic, protein, glass, and blends. Because of the great differences in the chemical and physical nature of these fibers, finishing processes vary widely among classes and, to a lesser extent, within each class. Mechanical, heat-related, and chemical treatments have been developed over the years since the first attempts to convert fibers into yarns and then into a fabric.
>
> Animal and plant fibers have been used for thousands of years, but the introduction of synthetic fibers into consumer use after World War II caused the most dramatic change in the finishing of natural fibers. * * *

---

[1] 13 McGraw-Hill Encyclopedia of Science and Technology 547 (1977).

> Thus, the general topic of textile finishing is very broad, for there are at least ten commercially important textile fibers today, and finishing processes enhance a wide variety of properties including crease retention, ease of care, dimensional stability, abrasion resistance, flame retardance, smolder resistance, odor control, soil release, variable moisture contents, and control of static charges, stretch, water repellency, waterproofing, and resistance to weathering (including sunlight and microorganisms), as well as improving the hand (or feel) and surface appearance of fabrics. * * *

From all the foregoing, it appears that the specificity of items 670.43 and 670.12 with respect to the Superba may be considered equal. Therefore, in accordance with General Interpretative Rule 10(d), we hold that item 670.43, providing for an original statutory rate of duty higher than item 670.12, applies.[2]

AFFIRMED

LEATHER'S BEST, INC., APPELLEE v. THE UNITED STATES, APPELLANT

Appeal No. 83-594

708 F.2d 715

(Decided: June 10, 1983)

Barbara M. Epstein, New York City, argued for appellant. With her on the brief were *J. Paul McGrath*, Assistant Attorney General, *David M. Cohen*, Director, *Joseph I. Liebman*, Attorney in Charge, International Trade Field Office, New York City, of counsel.

Steven P. Florsheim, New York City, argued for appellee. With him on the brief was *Robert B. Silverman*, New York City, of counsel.

Before NICHOLS, KASHIWA, and NIES, *Circuit Judges*.

NICHOLS, *Circuit Judge*.

This appeal by the government requires us to review a decision of the Court of International Trade (CIT) holding that certain protested entries of finished leather described in the testimony and illustrated in the exhibits as "embossed" or "smooth plated," were "fancy." *Leather's Best, Inc.* v. *United States*, 4 CIT 152, 555 F. Supp. 1064, Appeal No. 82-85 (October 8, 1982). We affirm.

COMPETING TARIFF PROVISIONS

Classified:

Leather, in the rough, partly finished, or finished.
  Other * * *
    Other * * *
    Not fancy

---

[2] The statutory rate of duty was 16% for item 670.43 and 14% for item 670.12 when TSUS became effective in 1963.

121.57 (1976 entries) Other * * * 5% ad val. or 121.58 (1977 entries)
Claimed:
Fancy * * *
Other * * * free

"Fancy" leather would normally be dutiable at a higher rate, but if the product of certain listed "developing" countries, by General Headnote 3(c) it is entitled to free entry under the General System of Preferences (GSP). It is not denied, that if "fancy," the instant leather obtains free entry. The government in this appeal maintains a position that often would be to its disadvantage.

The word "fancy" is defined in *Subpart A* headnotes—

1. For the purpose of this subpart * * *

> (b) The term "fancy" as applied to leather means leather which has been embossed, printed, or otherwise decorated in any manner or to any extent (including leather finished in aluminum, gold, silver, or like effects and leather on which the original grain has been accentuated by any process).

* * * * * * *

THE MERCHANDISE INVOLVED

The testimony agreed, and the trial court found, that the leather had been "embossed" by one or the other of two processes. Some was "hair cell embossed." Some was "smooth plated." Government witnesses opined it was not "decorated." All was "bovine" leather fully tanned before the embossing process, dehaired and defleshed before the tanning. The tanning solutions impart characteristics to the hide. In the embossing process, a plate utilizes heat and pressure to imprint the design or smooth print upon the leather. The purpose of utilizing hair cell embossing is to imprint a more uniform and permanent grain design which improves the "cutability," *i.e.*, eliminates some of the useless scrap otherwise generated in manufacture of finished articles. It hides tick bite marks and other defects and blemishes. Smooth plating increases the glossiness and smooths the leather.

By the appellee's testimony which the trial court adopted, leather processed on an embossing machine is embossed. Also, by appellee's testimony, the smooth plating, as well as the hair cell embossing, is done on such an embossing machine though with different plates. We therefore call both types embossed, though there may be some semantic confusion as to the point. As we show later, it does not affect the result.

To our untutored eyes, the difference between the imports, and a similar tanned leather before going on the embossing machine, is not very marked. However, the experts had no difficulty confirming by inspection of the leather that it had in fact been through the machine, and it hardly could be pretended that this determination would present any difficulty to the officers of the customs whose expertise is well known. (None of the experts who actually testified were themselves customs officers.)

OPINION

Since the fact findings of the trial court have ample support in the record, the issue here is wholly and simply how to interpret the headnote. Appellant contended and contends here that the definition of "fancy" requires that the leather be "embossed" *and* "decorated," *i.e.,* that something be added in the embossing process that visibly ornaments or beautifies the leather. The trial court read the words "otherwise decorated in any manner or to any extent" as meaning that the enhanced appeal of the leather resulting from embossing need be but minimal. A definition of "fancy" by the ASTM was in evidence, but the trial court rejected it as too narrow because of the legislative history.

The history actually consists of comments by the then Tariff Commission (now ITC), in its Tariff Classification Study (1960) Schedule 1. This document was revised, and enacted by Congress as revised, to be the Tariff Schedules of the United States (TSUS), but the revisions do not affect the headnote we must construe. The Commission pointed out that the tariff provision for fancy leather then in effect was ¶ 1530(d) of the Tariff Act of 1930, which provided for—

> Leather * * * grained, printed, embossed, ornamented, or decorated * * * or by any other process (in addition to tanning) made into fancy leather.

It said it had received complaints by customs officers that the mechanical effects by which the tanned leather had subsequently been made "fancy," as known in 1930, were now (1960) achieved sometimes by "newly developed chemical reactions in the tanning process." It was extremely difficult for a customs officer to tell whether the leather he saw, if it looked "fancy" had been made so "in addition to," *i.e.,* subsequent to, the tanning itself. The Commission initially had proposed to eliminate this difficulty by eliminating the category of "fancy" leather altogether. This generated protests against the duty reduction that would result for the "fancy" category. So the Commission decided to restore the separate and higher rate for "fancy" leather, and to provide a new headnote defining the term. That purpose was effectuated and nothing in the present definition makes it necessary to determine *when* the improvements to make the leather "fancy" have been applied, or *how.*

The controversy here does not turn on *when* the embossing was applied. There is no question it was applied after the tanning. Nor does it turn on *how.* There is no question it was by a mechanical process, not by chemistry in the tanning itself. Thus the problems the definition changes were made to cope with do not exist in this case. We have a situation as to which the 1930 definition created no difficulty, and the inference can readily be drawn that the Commission had no intent to change the prior law. The new language does not support, by its plain language, any contrary conclusion. The Commission did not intend to withdraw from the scope of the "fancy" classification any leather that previously had come within it. The trial court's conclusion that the changes were to assist customs officers is true but irrelevant. Any conclusion, based on the changes, that a leather previously "fancy" ceased to be so under TSUS, founders in view of the history showing that if the changes did anything, it was to make it easier to conclude that leather was "fancy," but even this change was respecting an issue irrelevant to the case we have at bar.

Normally, the exclusion from the "fancy" category of a kind of leather previously included, would result in a rate reduction. Normally, tariff rate reductions result from international trade agreement negotiations. The TSUS was not intended to supersede such negotiations by a unilateral determination. Its purpose was to clarify and simplify the United States tariff schedules, then the world's most complex, to aid administration by United States Customs, understanding of the duty liabilities they were to incur by importers, and appreciation by trade agreement negotiators what the real effect would be of what they negotiated. At times simplification by consolidation of previously separate items was expected to be accompanied by rate reductions. But the Tariff Commission was supposed to retreat if publication of the proposed new schedules revealed that a significant interest group was adversely affected. That is exactly what happened here. The proposed elimination of the "fancy" category did affect an interest group, so the Tariff Commission retreated to a position that involved less simplification, but also less interference with protection expectations. When the animals had thus been stirred up, it would be most surprising to find in the end result any significant tariff rate reduction. Yet that is what appellant would have us believe occurred. It would have us hold that the new definition, unlike paragraph 1530(d) of the 1930 Act, included as "fancy" only leathers that were both (a) embossed, and (b) decorated. That the prior law was contrary is too clear to be argued.

The trial court correctly cites *Lowenstein* v. *United States*, 24 CCPA (Customs) 163 (1936) and *United States* v. *John P. Stetson Co.*, 21 CCPA (Customs) 3 (1933). The following quote from the latter case, at 7, is dispositive:

> Here [in para. 1530(d)] we find an enumeration of several kinds of leather which are to be classified thereunder, and these are designated eo nomine: Grained leather, printed leather, embossed leather, ornamented leather, and decorated leather. If the involved leather be of *any one* of these varieties it is within the subparagraph, because the Congress has so specifically provided. [Italic supplied.]

There is much more said, but nothing to alter the result. Clearly the leather was "fancy" if it was "embossed" *or* if it was "decorated." Would that we judges today could occasionally be as positive in our statements as our predecessors frequently were! The trial judge, however, comes out at the end with his conclusion in the fine old manner—

> Therefore it is not necessary to establish that embossed leather is also decorated.

We agree. Any speculations along the way as to whether a scintilla of "decoration" can be found in this leather may be disregarded as unnecessary to the result. If, however, it is supposed doubtful if the smooth plated leather is embossed, the government's own witness said the process made it "brighter," which we consider to be at least a scintilla of decoration, all that is required.

AFFIRMED

ZENITH RADIO CORP., APPELLANT *v.* THE UNITED STATES, ET AL., APPELLEES

Appeal No. 83-590

710 F.2d 806

(Decided: June 27, 1983)

Frederick L. Ikenson, of Washington, D.C., argued for appellant. With him on the brief were *J. Eric Nissley* and *Philip J. Curtis*, of Glenview, Illinois, of counsel.

Sheila N. Ziff, of Washington, D.C., argued for appellee. *Robert H. Huey* and *Rodney F. Page*, of Washington, D.C., were on the brief for appellees, Toshiba Corporation, Toshiba America, Inc., and Toshiba Hawaii, Inc.

Lawrence R. Walders, of Washington, D.C., argued for intervenors. With him on the brief were *H. William Tanaka* and *Patrick O'Leary*.

Stuart M. Rosen, of New York, New York, was on the brief for Defendant-Intervenor, Matsushita Electric Industrial Co., LTD, et al.

Gail T. Cumins, of New York, New York, was on the brief for Defendant-Intervenor, Sanyo Electric, Inc.

Peter J. Gartland, of New York, New York, was on the brief for Defendant-Intervenor, Sharp Electronic Corporation.

Thomas P. Ondeck, of Washington, D.C., was on the brief for Defendant-Intervenors, Mitsubishi Electronic Corporation, and Mitsubishi Electric Sales America, Inc.

Brian S. Goldstein, of New York, New York, was on the brief for Defendant-Intervenor, The General Corporation of Japan.

Before MARKEY, *Chief Judge*, DAVIS, NICHOLS, BALDWIN, and NIES, *Circuit Judges*.

BALDWIN, *Circuit Judge*.

This appeal is from a decision of the United States Court of International Trade (trial court) denying the request of Zenith Radio Corporation (Zenith) for a preliminary injunction to prevent liquidation of entries of certain television receivers subject to dumping duties. The trial court's denial of injunctive relief was based on a finding that Zenith failed to show that it will suffer irreparable harm in the absence of an injunction. We reverse and remand.

BACKGROUND

Zenith, a United States manufacturer of television receivers, filed an action in the trial court in June, 1981, challenging an annual review determination by the United States Department of Commerce (Commerce), published in the Federal Register on June 5, 1981, 46 Fed. Reg. 30163. The challenged annual review was undertaken pursuant to section 751 of the Trade Agreements Act of 1979, which requires Commerce to review certain antidumping duty orders and findings each year. 19 USC 1675 (Supp. V 1981) (hereinafter section 751). The review determination establishes the margins used to calculate the amount of dumping duties to be assessed on merchandise entered during the one year period under review. In addition to setting the margin used to assess dumping duties on entries of merchandise during the one year review period, the review determination is used to estimate the amount importers must deposit on entries occurring after the review period ends until Commerce completes and publishes the next section 751 review. 19 USC 1675(a)(2) (Supp. V 1981).

The determination challenged by Zenith alters the margins used to assess dumping duties on entries of Japanese television receivers subject to dumping duties under T.D. 71-76, 5 Cust. Bull. 151 (1971). The merchandise involved in this case was entered or withdrawn from warehouse between April 1, 1979 and March 31, 1980 (the 1979-80 review period). For the importers involved in this case, the determination reduces the dumping margins previously required under T.D. 71-76 so that zero or minimal dumping duties will be assessed on entries during the review period. A decision in Zenith's favor on the issues raised by its action challenging the annual review determination could significantly increase the amount of dumping duty that should be assessed on the entries that occurred during the 1979-80 review period. Since Commerce has not completed the next section 751 review of T.D. 71-76, the determination challenged by Zenith is still used to estimate deposit amounts for entries after March 31, 1980. The next published section 751 review will abrogate the effect of the challenged determination on deposit amounts by establishing the margin to be used for assessment of actual dumping duties on entries after March 31, 1980, and for estimating deposit amounts on subsequent entries. The errors complained of by Zenith are not alleged to be continued in subsequent reviews by Commerce. Zenith's action is directed only to the review determination for the 1979-80 review period.

On December 10, 1981, Zenith moved for a preliminary injunction *pendente lite* to prevent liquidation of entries of merchandise occurring during the 1979-80 review period. The government

READEX FICHE

agreed not to liquidate the subject entries until the trial court could rule on the request for a preliminary injunction. On November 18, 1982, the trial court denied Zenith's request for a preliminary injunction on the sole ground that Zenith failed to demonstrate a likelihood of irreparable injury in the absence of an injunction. The trial court did not consider any other factors traditionally assessed in deciding whether injunctive relief should be granted or denied. Zenith appealed to this court from the trial court's decision and was granted an injunction against liquidation pending this court's decision. In addition to the United States government, importers and manufacturers who were defendant-intervenors at the trial level filed a brief and appeared as appellees in opposition to Zenith's appeal.

On appeal, Zenith raises three issues: (1) whether an injunction must issue under the All Writs Act, 28 USC 1651 (1980), to preserve this court's and the trial court's jurisdiction to review the challenged annual review determination; (2) whether the trial court abused its discretion by considering only irreparable injury instead of considering all factors traditionally assessed in deciding whether or not an injunction should issue; and (3) whether irreparable injury has been established. We hold that Zenith has established irreparable injury sufficient to require the trial court to consider all appropriate factors in deciding whether to grant or deny an injunction.

OPINION

To support its request for an injunction under the All Writs Act, Zenith relies primarily on two cases of the United States Supreme Court: *FTC* v. *Dean Foods Co.*, 384 U.S. 597 (1966); and *Scripps-Howard Radio, Inc.* v. *FCC*, 316 U.S. 4 (1942). These cases confirm the authority of appellate courts to entertain requests for injunctive relief under the All Writs Act, but they do not compel issuance of an injunction in any particular circumstances. In this case the trial court has acted on Zenith's motion for a preliminary injunction, denying relief for Zenith's failure to establish irreparable harm. Our task is to determine whether the trial court committed an error of law or abused its discretion in denying Zenith's request. *S. J. Stile Assoc. Ltd.* v. *Snyder*, 646 F. 2d 522 (CCPA 1981). In view of our holding that Zenith has established irreparable injury, we do not reach the issue of the need for an injunction under the All Writs Act to preserve jurisdiction.

To prevail on its motion for a preliminary injunction, Zenith must show (1) that it will be immediately and irreparably injured; (2) that there is a likelihood of success on the merits; (3) that the public interest would be better served by the relief requested; and (4) that the balance of hardship on all the parties favors the petitioner. *S. J. Stile Assoc. Ltd.* v. *Snyder*, 646 F.2d at 525; *Virginia Petroleum Jobbers Ass'n* v. *FPC*, 259 F. 2d 921, 925 (D.C. Cir. 1958).

The burden that Zenith must meet to establish irreparable injury was elaborated by the CCPA in the *Stile* case as follows:

> Only a viable *threat of serious harm which cannot be undone* authorizes exercise of a court's equitable power to enjoin before the merits are fully determined. *Parks* v. *Dunlop,* 517 F. 2d 785 (CA 5 1975). A preliminary injunction will not issue simply to prevent a mere possibility of injury, even where prospective injury is great. A presently existing, actual threat must be shown.

646 F. 2d at 525. (Emphasis added). (Citations omitted.) To establish a "viable threat of serious harm that cannot be undone," Zenith contends that without an injunction, it will be deprived of any opportunity to obtain a remedy for assessment of inadequate dumping duties on entries during the 1979–80 review period. The loss of a remedy for assessment of inadequate dumping duties would relieve Zenith's competitors of a significant liability and abrogate Zenith's right to judicial review.

The trial court, however, denied injunctive relief because Zenith did not submit facts or data showing specific commercial injury that Zenith will suffer as a result of liquidation. The trial court supported its conclusion that liquidation cannot constitute irreparable harm, absent such a specific showing of injury, with statements made by Congress when the Customs Court (now the Court of International Trade) was given authority in 1979 to enjoin liquidation. Congress then characterized injunctive relief as an extraordinary measure, a form of relief that should not be granted in the ordinary course of events. *Zenith Radio Corp.* v. *United States,* 553 F. Supp. 1052, 1054 (CIT 1982). The comments relied on by the trial court simply explained why Congress specified four criteria, parallel to those recited in *Stile,* that the Customs Court had to consider before enjoining liquidation. We agree that injunctive relief is to be granted only in extraordinary circumstances. We also acknowledge that evidence of specific competitive injury to Zenith would establish a more compelling showing of irreparable injury warranting injunctive relief. *Smith-Corona Group, Consumer Products Division* v. *U.S.,* 507 F. Supp. 1015 (CIT 1980). But general statements regarding the extraordinary nature of preliminary injunctive relief do not help resolve whether Zenith has shown irreparable injury needed to at least preclude denial of an injunction without consideration of the other factors recited in *Stile.* Analysis of the issue in this case must begin with the effect of liquidation on Zenith's challenge to the section 751 review determination.

In this case, we conclude that liquidation would indeed eliminate the only remedy available to Zenith for an incorrect review determination by depriving the trial court of the ability to assess dumping duties on Zenith's competitors in accordance with a correct margin on entries in the 1979–80 review period. The result of liquidating the 1979–80 entries would not be economic only. In this case, Zenith's statutory right to obtain judicial review of the determination would be without meaning for the only entries permanently affected by that determination. In the context of Congressional intent in passing the Trade Agreements Act of 1979 and the existing finding of injury to the industry underlying T.D. 71-76, we conclude that the consequences of liquidation do constitute irreparable injury.

Without a preliminary injunction, all of the entries occurring during the review period will be liquidated immediately, with dumping duties assessed in accordance with the margin set by the review determination. This result is required, in the absence of a preliminary injunction, by two sections of the Trade Agreements Act of 1979. Section 516a(e) permits liquidation in accordance with a favorable decision of the trial court, or this court, only on merchandise entered after the court decision is published or on entries "the liquidation of which was enjoined under subsection (c)(2)." 19 USC 1516a(e) (Supp. V 1981). In addition, section 516a(c)(1) of the Trade Agreements Act of 1979 provides, in pertinent part:

> (c) *Liquidation of entries.*
>
> (1) *Liquidation in accordance with determination.* Unless such liquidation is enjoined by the court under paragraph (2) of this subsection, entries of merchandise of the character covered by a determination of the Secretary, the administering authority, of the Commission contested under subsection (a) shall be liquidated in accordance with the determination of the Secretary, the administering authority, or the Commission * * *.

19 USC 1516a(c)(1) (Supp. V 1981).

The statutory scheme has no provision permitting reliquidation in this case or imposition of higher dumping duties after liquidation if Zenith is successful on the merits. Once liquidation occurs, a subsequent decision by the trial court on the merits of Zenith's challenge can have no effect on the dumping duties assessed on entries of television receivers during the 1979-80 review period. Any change in deposit amounts that might be required would be transient and could not affect the amount of dumping duty actually assessed on the 1979-80 entries or any subsequent entries. The court would be powerless to grant the only effective remedy in response to Zenith's request for review: assessment of correct dumping duties on entries occurring during the 1979-80 review period. Not even prospective relief will be available to Zenith for entries in the 1979-80 review period once liquidation occurs. Judicial review of the challenged section 751 determination will therefore provide no tangible benefit for Zenith, making that review unavailing. Even though the 1979-80 imported articles have already been sold and the increased duties (if Zenith ultimately prevails) will go to the government, not Zenith, Zenith still has a strong, continuing, commercial-competitive stake in assuring that its competing importers will not escape the monetary sanctions deliberately imposed by Congress. Defeat of that strong congressionally recognized competitive interest and the abrogation of effective judicial review are sufficient irreparable injury here.

One of the factors supporting our conclusion, and setting this case apart from others, is the fact that injury to the domestic television industry from dumping of television receivers by Japanese importers has already been established.

The United States Tariff Commission (now, International Trade Commission (ITC)) determined that the domestic television industry is being injured by dumped imports from Japan in 1971. *Television Receiving Sets From Japan,* Investigation No. AA1921-66, USTC Public. 367, 36 Fed. Reg. 4576 (1971). This finding of injury was one of the conditions precedent to publication of T.D. 71-76. The continuing merit of the injury determination was recently confirmed when the ITC reconsidered but refused to revoke the earlier injury determination. *Television Receiving Sets From Japan,* Investigation No. 75-TA-2, USITC Public. 1153, 46 Fed. Reg. 32702 (1981). The finding of injury from dumped merchandise to the domestic television industry, which includes Zenith, is therefore presumed to have continuing efficacy now and throughout the challenged 1979-80 review period. The only remedy available to Zenith, the domestic television industry, and the public, is assessment of correct dumping duties on offending merchandise.

A second factor important to our decision is the desire for effective enforcement of antidumping laws expressed by Congress when it passed the Trade Agreements Act of 1979. Before passage of the Trade Agreements Act of 1979, the remedy for a domestic manufacturer challenging the margin used for assessment of dumping duties was prospective only since a court order increasing the amount of dumping duty that was appropriate could only be applied to entries occurring after the final court order was published. The Trade Agreements Act of 1979 altered this scheme by giving the Customs Court power to enjoin liquidation of entries pending the court's decision. 19 USC 1516a(c)(2) (Supp. V 1981). The grant of this injunctive authority was described by Congress as "a major change in prior law" which had been formulated on the presumption of correctness of the administrative determination. H.R. Rep. No. 96-317, 97th Cong., 1st Sess. 182 (1979). Congress modified this presumption, without eliminating it, by permitting the Customs Court to enjoin liquidation in appropriate circumstances. The greatest concern warranting modification of the prior law was the inadequacy of prospective relief. H.R. Rep. No. 96-317, 97th Cong., 1st Sess. 182 (1979).

The grant of this injunctive power was only one part of a larger pattern of reforms enacted to improve enforcement of the antidumping laws and to give domestic interested parties the right to obtain effective judicial review of determinations in antidumping and countervailing duty cases. When explaining changes significantly enlarging the availability and scope of judicial review, Congress said:

> The changes which title X effects are purposed upon the elimination of several discernible deficiencies which detracted from the effective enforcement of earlier laws and particularly those relating to antidumping and countervailing duties. The new provisions contemplate greater access to the Customs Court for an expanded number of parties, more opportunity for interlocutory judicial review during antidumping and countervailing duty processings, and expedited appeals from administrative determinations.
>
> The implementing legislation will preserve an interested party's right to challenge final determinations issued by either the administering authority or the U.S. International Trade Commission in antidumping and countervailing duty cases while enlarging the opportunities for judicial review of interim decisions made during the course of an investigation.

S. Rep. No. 96-249, 96th Cong., 1st Sess. 245, *reprinted in* 1979 U.S. Code Cong. & Ad. News 630–631. Congress deliberately gave interested parties the right to obtain effective judicial review of section 751 review determinations to aid effective enforcement of antidumping laws. A conclusion that no irreparable harm is shown when that judicial review is rendered ineffective by depriving the interested party of the only meaningful correction for the alleged errors, would be inconsistent with the actions taken by Congress to correct deficiencies in prior enforcement activity under the antidumping laws. Accordingly, the inability of reviewing courts to meaningfully correct the review determination is irreparable injury that must be considered by the trial court along with the other pertinent factors recited in *Stile* to determine whether or not an injunction should issue.

We therefore *reverse* and *remand* to the Court of International Trade for further consideration of Zenith's request for preliminary relief.

REVERSED AND REMANDED

NIES, *Circuit Judge*, concurring.

I concur with the majority that Zenith's motion for a preliminary injunction must be reconsidered by the trial court. However, in my view, Zenith may or may not have proved sufficient injury under the circumstances of this case to warrant the issuance of a preliminary injunction.

I am entirely in agreement with the trial court in rejecting plaintiff's argument that "any liquidation of entries prior to a final decision would constitute irreparable harm *per se*" and that the granting of a preliminary injunction enjoining the administering authorities from liquidating entries should be the exception rather than the general rule. Moreover, I also agree that the requirements which must generally be met before a preliminary injunction is granted are a threat of immediate irreparable harm; a showing that the public interest would be better served by issuing than by denying the injunction; a likelihood of success on the merits; and the balance of hardship on the parties-in-interest favors the party seeking injunctive relief (*S.J. Stile Associates, Ltd.* v. *Dennis Snyder,* 646 F. 2d 522 (CCPA 1981)). However, I am of the view that, while these factors should be analyzed separately, they must be evaluated as a whole.

A very strong showing of public interest in preservation of the status quo, for example, may shore up a minimal showing of direct personal injury to the litigant.

Moreover, I do not believe that rigid rules or requirements are appropriate in the exercise of equitable power. Other factors, not enumerated above, may also affect the evaluation of a litigant's need for an injunction.

I see no danger that injunctions against liquidation will become the norm if Zenith is found to be injured on the basis of something less than the detailed showing of harm to its current business comparable to that established by the plaintiff in *Smith-Corona Group, Consumer Products Division* v. *United States,* 507 F. Supp. 1015 (Ct. Int'l Trade 1980). Likelihood of success on the merits and balancing of hardships on the parties present formidable obstacles to the granting of an injunction, particularly where the injury factor is weak.

In this appeal, the trial court's decision presents us with an analysis of the single factor of irreparable harm to Zenith. The finding below was not that Zenith will suffer no harm. Rather, the court held that such harm was not irreparable. In some instances no analysis of other factors may be necessary. However, I think such cases are rare and this case is not one of them. This case, in my view, requires an evaluation and balancing of all factors raised by Zenith.

INDUSTRIAL FASTENERS GROUP, AMERICAN IMPORTERS ASSOCIATION, APPELLANT *v.* THE UNITED STATES, APPELLEE

Appeal No. 82-30

710 F.2d 1576

(Decided: June 30, 1983)

Andrew P. Vance, of New York City, for appellant. With him on the brief was *Michael A. Johnson,* New York City, of counsel.

Velta A. Melnbrencis, Washington, D.C., for appellee. With her on the brief were *J. Paul McGrath,* Assistant Attorney General and *David M. Cohen,* Director, Washington, D.C.

Before RICH, DAVIS, and NIES, *Circuit Judges.*

DAVIS, *Circuit Judge.*

Industrial Fasteners Group, American Importers Association (appellant or Industrial)[1], appeals the judgment of the United States Court of International Trade (CIT)—together with the denial of appellant's motion for rehearing and vacation of that judgment—in which the CIT affirmed the final, affirmative, countervailing duty determination and order of the International Trade Administration (ITA), United States Department of Commerce, in *Certain Fasteners from India,* 45 Fed. Reg. 48,607 (1980). *See Industrial Fasteners Group* v. *United States,* 525 F. Supp 885, 2 CIT 181 (1981), 542 F. Supp. 1019, 4 CIT 104 (1982), slip op. 82-26 (April 19, 1982). Industrial asks review only of that portion of the CIT's decision affirming ITA's holding that the Government of India, via a policy of its Ministry of Commerce (Ministry), provided subsidies to exporters of certain industrial fasteners through the Cash Compensatory Support on Export (CCS) program. We affirm.

I

The events leading to this proceeding began with the filing with ITA of a petition by the Industrial Fasteners Institute of Cleveland, Ohio, on January 30, 1980. ITA then initiated an investigation of certain fasteners from India late in February 1980 by the publication in the Federal Register of a notice of the Initiation of Countervailing Duty Investigation, 45 Fed. Reg. 12,276 (Feb. 25, 1980). At that time, the Embassy of India was notified of the investigation and was requested to respond by March 26, 1980, to a questionnaire which included the following specific questions regarding the CCS program:

> (1) Explain the terms and conditions of the program alleged. How are the amounts of payments determined?
>
> (2) Provide current English language copies of laws, regulations and schedules governing the program;
>
> (3) If the program applies only to designated or approved industries, provide a listing of firms exporting the subject merchandise which have received assistance from the program in 1979, or in the most recent one year period for which information was available, and the amounts received;
>
> (4) If the information in (3) above is not readily available, indicate the total amount paid during the same period to firms exporting the subject merchandise.

India's response to ITA's questionnaire, received on March 26, 1980, stated that exporters of industrial fasteners are eligible to receive CCS of 17.5% of the f.o.b. value of their exported product as a refund of indirect taxes paid but not otherwise refunded.[2] In reply to the pivotal question how the 17.5% figure was established, India stated that it "has reasonably calculated and documented the actual tax experience" and explained that following the Alexander Committee's review of the CCS program on October 23, 1978, India's Ministry informed all Export Promotion Councils (EPCs), including the Engineering Export Promotion Council (EEPC) which oversees manufacturers of industrial fasteners, that it was restructuring the program to compensate fully for all types of indirect taxes paid by exporters on inputs which are not otherwise refunded. All EPCs were requested immediately to collect, compile and make available to the Ministry basic data regarding the products with which the EPCs were concerned. They were told that the following "broad criteria * * * are likely to be accepted by Government for formulation of the new rates:"

---

[1] Industrial is a trade association, some of whose members import fasteners from India, which participated as an interested party in the administrative countervailing duty proceedings conducted by the International Trade Administration with regard to certain industrial fasteners from India.

> (1) (a) Indirect taxes on inputs domestic or imported.
>
> (b) High interest rates on working capital.
>
> (c) High cost of capital goods.
>
> (2) (a) Labor intensive industries.
>
> (b) Product of SSI [small sector industry] and cottage sector.
>
> (c) New products in new markets.
>
> (d) Selected processed food, horticulture and agricultural products.
>
> (e) Commodities and markets which suffer from high and discriminatory freight rates.

The Ministry requested the EPCs to select a representative number of manufacturing and exporting units spread throughout the country and to work out the average incidence of the various non-refundable taxes, duties and levies imposed on inputs entering into the exported products. After receipt of the Ministry's instructions, the EEPC instructed a random number of its approximately 300 members to prepare indirect tax calculations. Replies received were analyzed and sent to the Ministry, including tax calculations from six industrial fastener manufacturers provided by the EEPC. The Ministry then "carefully scrutinized" the tax data and announced on January 15, 1979 a CCS of 12.5% for industrial fasteners to be provided effective April 1, 1979. After objections by the manufacturers to that figure as too low, the Ministry announced on March 31, 1979, a rate of 17.5% for industrial fasteners exported to the American continent.

Included with the Indian Government's initial response to ITA's questionnaire on the CCS program was an undated "Statement Showing Incidence of Indirect Taxes on F.O.B. Export Value/Anchor Bolts." Claiming that this statement contained errors, India requested (by subsequent letter of April 7, 1980) the substitution of the "complete study relating to taxes on anchor bolts" which had been prepared by a Calcutta firm of cost accountants. That study, dated March 11, 1980, was said by the accountants to be a "study of indirect taxes payable/paid and its incidence of Cost Structure of Anchor Bolts exported to the U.S.A." It included consideration of (1) sales tax and excise duty on new materials, sulphuric acid and anti-rust oil, and packing material; (2) entry tax on raw materials and hoop iron, leval (sic) and nails; (3) Joint Plant Committee CESS (not otherwise explained); (4) engineering goods export assistance fund levy; (5) steel development surcharge/levy; (6) steel import pooling fund levy; (7) port commissioners levy; (8) port congestion surcharges; (9) compulsory government inspection levy; and (10) interest on duty drawback for a three-month period.

---

[2] India's response noted that the CCS program is a result of Ministry of Commerce policies rather than law or regulation.

Because ITA determined that India was not a "country under the Agreement" on Subsidics and Countervailing Measures, the countervailing duty investigation was governed by section 303 of the Tariff Act of 1930, as amended by the Trade Agreements Act of 1979, 19 U.S.C. § 1303 (Supp. V 1981).[3] Section 1303(b) of the 1979 Act provides that countervailing duty "shall be imposed, under regulations prescribed by the administrative authority (as defined in section 1677(1) of the this title), in accordance with subtitle IV of this chapter (relating to the imposition of countervailing duties) [19 U.S.C. §§ 1671–1677(g) (Supp. V 1981), as added by the Trade Agreements Act]."[4] Countervailing duties are imposed according to 19 U.S.C. § 1671(a), which provides in pertinent part:

> (a) General Rule.—If—
>
> (1) the administering authority determines that—[the challenged country]
>
> * * * * * * *
>
> is providing, directly or indirectly, a subsidy with respect to the manufacture, production, or exportation of a class or kind of merchandise imported into the United States, * * * then there shall be imposed upon such merchandise a countervailing duty * * * equal to the amount of the net subsidy.

It has been held that "the non-excessive remission of an indirect tax is not a bounty or grant[5] within the meaning of the statute." *Zenith Radio Corp.* v. *United States,* 437 U.S. 443, 448 (1978) (footnote omitted).

Pursuant to its countervailing duty regulations (promulgated on January 20, 1980, 45 Fed. Reg. 4932 *et seq.*), the ITA used the following three-prong test to determine whether the export payments under the CCS program are subsidies or are non-excessive rebates of indirect taxes paid but not otherwise rebated:

---

[3] Section 1671(c) of the 1979 Act indicates that, in the case of merchandise which is the product of a country other than a country under the Agreement, section 1303 controls.

[4] We agree with ITA and CIT that none of the exceptions concerning certain § 1303 investigation procedures added by the Trade Agreements Act is applicable in this proceeding.

[5] Under 19 U.S.C. § 1677(5), "[t]he term 'subsidy' has the same meaning as the term 'bounty or grant' as that term is used in section 1303 of this title."

> (1) Whether the CCS program operates for the purpose of rebating indirect taxes, (2) whether there is a clear link between eligibility for CCS payments and payment of indirect taxes, and (3) whether the government has reasonably calculated and documented the actual indirect tax incidence borne by exported fasteners and has demonstrated a clear link between such tax incidence and the amount of CCS payments.

In concluding that the payments were subsidies, the ITA found the third prong of the test not to have been met, stating that "[o]ur determination in this case turns * * * on specific analysis of the relationship between the CCS payments and the incidence of indirect taxes borne by fastener exports. The link between indirect tax incidence and the CCS payments has not been satisfactorily demonstrated." ITA noted specifically that (1) a review of the data on actual indirect taxes paid by the producers which provided information to the Indian Government shows all but one paying total indirect taxes less than 17.5% of the value of the merchandise, (2) even these tax calculations included some payments that the ITA would not consider indirect taxes, and (3) the Indian Government had not provided evidence to demonstrate the precise determination of the tax incidence of any given product sector. In its final determination ITA concluded that "the Government of India provides bounties or grants (subsidies) within the meaning of section 303 of the Act * * *" through three programs, and directed customs officers to assess countervailing duty on imports covered by that determination. As we have noted, Industrial now appeals only the finding by ITA (and affirmance by the CIT) that India provided subsidies—rather than non-excessive indirect tax rebates—to exporters through the CCS lump-sum payment of 17.5% of the f.o.b. value of the exported merchandise.

On the appeal to the Court of International Trade, that court determined ITA's decision to have been supported on the record by substantial evidence and otherwise to be in accord with the law. *See* 19 U.S.C. § 1516a(b)(1)(B). First, the court found ITA's three-prong test to be a reasonable interpretation of the requirements of the countervailing duty statutes. Second, the court upheld ITA's process of review of the data that went into the determination of the 17.5% figure. Third, the CIT found substantial evidence to support ITA's decision, concluding that "any determination by the ITA as to the extent the CCS payments represented a rebate of indirect taxes paid would be mere speculation" because

> (1) * * * the evidence clearly establishes that there may be criteria other than indirect taxes paid which are compensable by the CCS rate, and
>
> (2) * * * the evidence fails to establish what portion of the 17.5% CCS payment has been allocated to compensate for indirect taxes paid as opposed to that portion allocated to compensate for other criteria, and

> (3) * * * the evidence fails to establish the actual incidence of indirect taxes on which to base the CCS payments.

Thereafter the CIT denied Industrial's motion for rehearing and vacation of judgment, in which Industrial claimed that the record demonstrates a review and reevaluation of the CCS rate by the Indian Government contemporaneous with the ITA investigation. The court noted that, regardless of any such further evaluation, the record "clearly and undisputedly reveals" that export handicaps other than indirect taxes were compensated by the CCS rate and that the record fails to provide evidence of the amounts allocated to other export handicaps relative to those allocated to indirect taxes paid.

II

The ITA's three-pronged test, set forth in Part I *supra*, is a "sufficiently reasonable" interpretation by the administering agency of the requirements of the countervailing duty statutes and regulations as to withstand judicial challenge. *See Zenith Radio Corp.* v. *United States*, 437 U.S. 443, 450–51 (and cases cited). The statute's general reference to the foreign country's "providing, directly or indirectly, a subsidy" with reference to imported merchandise (*see* 19 U.S.C. § 1671(a), *supra*) can appropriately be filled out, as ITA has done in its regulations and in the test applied here. Guideline 2 in Annex 1 to the regulations (promulgated in January 1980) provided (45 Fed. Reg. 4949):

> Export payments as an estimate of indirect taxes paid: Generally the payment to an exporter of a lump sum calculated and identified as a non-excessive rebate of the indirect tax incidence on the exported product, and its components, will not be treated as a subsidy *if the government has reasonably calculated and documented the actual tax experience of the product under investigation. (Italic added.)*

The legislative history of the Trade Agreements Act firmly supports this guideline and demonstrates that Congress wanted such export payments to be free of subsidy treatment only "if those payments are reasonably calculated, are specifically provided as non-excessive rebates of indirect taxes * * * , and are directly related to the merchandise exported." S. Rep. No. 249, 96th Cong., 1st Sess. 85, *reprinted in* 1979 U.S. Code Cong. & Ad. News 471. ITA could properly infer that for non-subsidy treatment in this instance Congress called for a showing that (a) the Indian program had the initial purpose of rebating indirect taxes, (b) there was a clear link between payment of the indirect taxes and eligibility for CCS payments, and (c) the CCS payments were determined on the basis of the actual tax incidence borne by exported fasteners. In other words, Congress wanted more than merely a *post hoc* determination that export payments can now be shown to be equal in amount to indirect taxes paid but not refunded, regardless of how the amount of payments was in fact established. Rather, the intent was that the foreign government show that the calculation of the amount of export payments was reasonable when made, through proof demonstrating the actual basis of those payments in the indirect tax incidence carried by the exported articles.[6]

Industrial strongly objects to this interpretation's focus on the foreign government's past actions with respect to challenged exports. Contending that ITA is restricted solely to deciding the question for the future on the basis of India's calculations and studies during the ITA investigation, appellant stresses the statute's use of the present or future tense (*e.g.*, "*is* providing"; "there *shall* be imposed" in § 1671(a), (1), *supra*). But this use of tense is merely a general and accepted method of drafting for all purposes, and cannot in itself override the scheme of the statute and the legislative history which show that a so-called "historical linkage" was specifically intended by Congress.[7]

In this connection, Industrial also argues that this "historical linkage" requirement renders null what it calls "the conciliation provision of the statute," 19 U.S.C. 1671c(b).[8] But this "conciliation" authorization, saying no more than that the administrative agency *may* suspend an investigation in the event of an agreement—which would most likely be sought by the foreign government, the exporters, or the United States importers—is in no way rendered ineffective by the concomitant requirement that an ongoing investigation should include a determination of how the amount of the challenged export payments was actually calculated.

III

In the light of this understanding of the legal requirements, our review of the record accords with that of the Court of International Trade. We agree that "any determination by the ITA as to the extent of CCS payments represented a rebate of indirect taxes paid would be mere speculation" because of the inadequate information provided by the Indian Government to ITA in the course of the EPCs describing the "broad criterial * * * likely to be accepted" and in its later post-investigative accountant's report, that there may be criteria other than indirect taxes paid which are compensable by the CCS 17.5% rate. Appellant counters that India had also explained in its response that this was inconsequential because the actual figure for indirect taxes paid but not refunded was higher than the 17.5% figure. It may be true that only a portion of indirect taxes actually paid is covered by the 17.5% figure but, as noted by the CIT, the information provided by the Indian Government is not satisfactory to determine whether the 17.5% figure is an appropriate one with regard to indirect taxes. Not only was the figure originally set at 12.5% and raised to 17.5% because of more stringent packing requirements for export to North America and not because of indirect taxes paid, but the data base from which the figures were derived came from only six out of approximately 300 manufacturers, only one of which paid more than 17.5% in indirect taxes.[9]

---

[6] Appellant argues that even under this standard it met ITA's requirements because ITA found that the CCS payments were not an *expost facto* rationalization of a pre-existing subsidy. Appellant misses the point. Just because the CCS program itself is not an *expost facto* rationalization—*i.e.*, it did not have the initial purpose of providing subsidies—does not mean that the payments actually provided have been demonstrated not to be subsidies in effect or in fact.

[7] Appellant's reliance on alleged prior Treasury Department practice is unavailing in view of Congress' clear purpose not to continue any prior Treasury practice contrary to the 1979 Act's requirements. *See* Part IV, *infra*.

[8] This part of the statute provides:

> Agreements to eliminate or offset completely a subsidy or to cease export of subsidized merchandise. The administering authority *may* suspend an investigation if the government of the country in which the subsidy practice is alleged to occur agrees, or exporters who account for substantially all of the imports of the merchandise which is the subject of the investigation agree—
>
> (1) To eliminate the subsidy completely or to offset completely the amount of the net subsidy, with respect to that merchandise exported directly or indirectly to the United States, within 6 months after the date on which the investigation is suspended, or
>
> (2) To cease exports of that merchandise to the United States within 6 months after the date on which the investigation is suspended. [Italic added.]

Appellant would have us believe that the existence of the accounting report, which was sent as a replacement to the annex to India's initial response to ITA's questionnaire, demonstrates that the Indian Government has reevaluated the 17.5% CCS rate for industrial fastener exports and, based on that accounting report, reaffirmed the correctness of the 17.5% figure. Industrial then asserts that ITA neither verified the information in this report nor considered it in reaching its final determination. Of course, a foreign government could reevaluate an export payment program and in so doing provide adequate proof for the past export payments, but there is nothing in the record to indicate that this accounting report was in any way a part of such an effort by the Indian Government to review the CCS program. This was not a true review of the kind that ITA might have to accept. Indeed, the accounting report, dated March 11, 1980, would seem to be nothing but an inadequate justificatory gesture in response to the then ongoing countervailing duty determination, which had begun on February 26, 1980. As noted above (Part II, *supra*), we believe that the ITA is entitled under the Trade Agreements Act to an accounting of both how the 17.5% figure was actually established and how it can be supported. Where, as here, the evidence provided by India is insufficient to support the choice of the particular rate as reasonable, the ITA could appropriately impose a countervailing duty in the full amount of the export payment.[10]

Appellant makes much of its contention that the legal tests (discussed in Parts II and III, *supra*) were novel and unknown to India

---

[9] The ITA also noted that "these tax calculations included several payments * * * that we would not consider indirect taxes which may be rebated on export," such as payments to an import pool fund, a development surcharge, an engineering goods export assistance fund, a port trust fund, port congestion charges, and taxes on electricity and fuel.

[10] Because India possessed (or could gather) the necessary facts, the burden was its (not ITA's) to furnish that information. In the absence of such information making at least a prima facie case as to India's proper establishment of the CCS payments, ITA did not have to verify the information supplied by India.

(or the other participants in this proceeding) until ITA completed its investigation. This is claimed to be a denial of due process. The answer is that it should have been known, before this investigation was begun (late in February 1980), from the ITA regulations and the Trade Act's legislative history, that information as to India's actual efforts to calculate the CCS payments would be required—and India simply did not fulfill that requirement of which it should have been aware.

The annex to the regulations (issued in January 1980) expressly provided that a payment "will not be treated as a subsidy if the government has reasonably *calculated and documented the actual tax experience of the product under investigation.*" (Italic added.) *See* Part II, *supra.* In addition, the Senate Committee report on the 1979 Act had declared that, to be other than a subsidy, the alleged non-excessive tax rebate had to be "reasonably calculated," "specifically provided as non-excessive rebates of indirect taxes," and "directly related to the merchandise exported." *Ibid.*[11] Without more, those specific directives should clearly have alerted appellant (as well as India) to the need for adequate proof of the foreign government's actual calculation of the payments as a non-excessive rebate of taxes with respect to the imported goods. Whether or not such a showing had previously been required by the Treasury Department (in passing on countervailing duty questions) is immaterial. In this aspect Congress did not wish to follow the prior Treasury practice (if it was in fact as appellant asserts it to have been). *See, e.g.,* 125 Cong. Rec. 20166–69 (1979).

In short, appellant (and India) could not properly feel that they did not know, in advance of ITA's investigation, what was required of them to show that the CCS payments were not subsidies. The very wording of India's initial response to ITA's requests, which stated that India "has reasonably calculated and documented the actual tax experience," (*see* Part I, *supra*), shows that it understood that requirement. As we have held in Part III, *supra,* ITA could allowably determine that this requirement was not satisfied either by India's original response or by the accountant's report submitted later.

For these reasons, the judgment of the Court of International Trade is *affirmed.*

---

[11] This was explicitly confirmed on the floor of the Senate in the course of a statement by Senator Heinz, fully accepted in this respect by Senators Ribicoff and Roth (the managers of the bill). 125 Cong. Rec. 20167, 20169 (1979).

SSIH EQUIPMENT S.A., APPELLANT, *v.* UNITED STATES INTERNATIONAL TRADE COMMISSION and STEWART-WARNER CORP., APPELLEES

Appeal No. 82-2

718 F.2d 365

(Decided: July 15, 1983)

Kevin E. Joyce and *Jonathan S. Kahan,* Washington, D.C., argued for appellant. With them on the brief were *George M. Sirilla, Peter W. Gowdey* and *Mark A. Sterling,* Washington, D.C., *Gerard Mandelbaum* and *Sandor C. Schweiger,* New York City, of counsel.

Joel Junker, Washington, D.C., argued for appellee. With him on the brief were *Michael H. Stein,* General Counsel, Washington, D.C., and *Catherine R. Field.*

Melvin M. Goldenberg, Chicago, Illinois, argued for intervenor. With him on the brief were *Theodore R. Scott, Thomas C. Elliott, Jr.* and *Augustus G. Douvas,* Chicago, Illinois, of counsel.

Before RICH, DAVIS, KASHIWA, SMITH, and NIES, *Circuit Judges.*

NIES, *Circuit Judge.*

SSIH Equipment S.A. (SSIH) appeals from the final determinations of the United States International Trade Commission (Commission) in Investigation No. 337-TA-75, Certain Large Video Matrix Display Systems and Components Thereof, under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337 (1976 and Supp. IV. 1980)) (hereafter § 337), which prohibits unfair methods of competition in the importation of articles into the United States.

The Commission determined that there was a violation of § 337 because SSIH had imported and installed a stadium scoreboard for the Milwaukee Brewers Baseball Club, Inc., which infringed certain United States patents owned by Stewart-Warner. USITC Pub. No. 1158, 213 USPQ 475 (1981). An exclusion order currently bars importation of scoreboards which infringe only one of these patents, U.S. Patent No. 3,594,762.

Our jurisdiction over this appeal is found in the Federal Courts Improvement Act of 1982. 28 U.S.C. § 1295(a)(6). We reverse in part, vacate the order, and remand.

I

The subject investigation was instituted on December 17, 1979, by the Commission on the basis of a complaint filed by Stewart-Warner Corporation (S-W). The complaint alleged that SSIH violated § 337[1] by virtue of infringement of certain claims in U.S.

---

[1] 19 U.S.C. § 1337 (1976 and Supp. IV 1980) provides, in pertinent part:

§ 1337. *Unfair practices in import trade.*

(a) *Unfair methods of competition declared unlawful.*

Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to pre-

Continued

Patent Nos. 3,495,762; 3,941,926; and 4,009,335 ('762, '926, and '335 patents, respectively).[2] Specifically, S–W alleged that the following 25 claims were being infringed:

The '762 patent—Claims 10, 12

The '926 patent—Claims 1 through 5

The '335 patent—Claims 1 through 6, 10, 11, 16 through 21 and 27 through 30.

---

[1] *Continued*

vent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

(b) *Investigation of violations by Commission; time limits.*

(1) The Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative.

* * * * * * *

(2) During the course of each investigation under this section, the Commission shall consult with, and seek advice and information from, the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission and such other departments and agencies as it considers appropriate.

* * * * * * *

(c) *Determinations; review.*

The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for hearing in conformity with the provisions of subchapter II of chapter 5 of title 5. All legal and equitable defenses may be presented in all cases. Any person adversely affected by a final determination of the Commission under subsection (d), (e), or (f) of this section may appeal such determination to the United States Court of Customs and Patent Appeals for review in accordance with chapter 7 of title 5. Notwithstanding the foregoing provisions of this subsection, Commission determinations under subsections (d), (e), and (f) of this section with respect to its findings on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the amount and nature of bond, or the appropriate remedy shall be reviewable in accordance with section 706 of title 5.

(d) *Exclusion of articles from entry.*

If the Commission determines, as a result of an investigation under this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers refuse such entry.

(e) *Exclusion of articles from entry during investigation except under bond.*

* * * * * * *

(f) *Cease and desist orders; civil penalty for violation of orders.*

* * * * * * *

(g) *Referral to President.*

(1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e) of this section, there is reason to believe that there is such a violation, it shall—

(A) Publish such determination in the Federal Register, and

(B) Transmit to the President a copy of such determination and the action taken under subsection (d), (e), or (f) of this section, with respect thereto, together with the record upon which such determination is based.

(2) If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval, then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), or (f) of this section with respect thereto shall have no force or effect.

(3) Subject to the provisions of paragraph (2), such determination shall, except for purposes of subsection (c) of this section, be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), or (f) of this section, with respect thereto shall be effective as provided in such subsections, except that articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary until such determination becomes final.

(4) If the President does not disapprove such determination within such 60-day period, or if he notifies the Commission before the close of such period that he approves such determination, then, for purposes of paragraph (3) and subsection (c) of this section such determination shall become final on the day after the close of such period or the day on which the President notifies the Commission of his approval, as the case may be.

(h) *Period of effectiveness.*

Except as provided in subsections (f) and (g) of this section, any exclusion from entry or order under this section shall continue in effect until the Commission finds, and in the case of exclusion from entry notifies the Secretary of the Treasury, that the conditions which led to such exclusion from entry or order no longer exist.

* * * * * * *

19 U.S.C. § 1337 (Supp. V 1981) made no changes from the above.

This court was substituted for the Court of Customs and Patent Appeals in § 337(c) by virtue of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 163(a), 96 Stat. 25, 49 (1982).

[2] The '762 patent issued July 20, 1971, on an application filed March 27, 1967. The '335 patent issued February 22, 1977, on an application filed August 6, 1973. The '926 patent issued March 2, 1976, on an application filed April 8, 1974. A fourth patent (No. 4,148,073) was alleged, but was later withdrawn on S–W's motion.

The Commission unanimously determined that there was a violation of § 337 in that the above claims were valid and, as asserted, were infringed by SSIH's imported scoreboard. The Commission entered an exclusion order, in accordance with § 337(d),[3] on June 19, 1981, and forwarded it to the President, as required under § 337(g).[4] This order barred importation of products which infringed "one or more claims" of the three patents.

On July 16 and 17, 1981, the '926 and '335 patents were held invalid in an infringement action to which SSIH was not a party. *Stewart-Warner Corp.* v. *City of Pontiac,* 213 USPQ 453 (E.D. Mich. 1981).[5] That decision is currently on appeal to the Sixth Circuit.

On August 10, 1981, while the exclusion order was before the President, the Commission was made aware of the district court decision and modified its exclusion order to suspend "that portion of the order referring to the '926 and '335 patents, pending resolution of the [question of their] validity * * * on appeal." 44 Fed. Reg. 42217 (1981).

The General Counsel of the United States Trade Representative notified the Commission on August 19, 1981, of the President's decision on the exclusion order as modified, stating that:

> We have received notice that the President has decided to take no action regarding the Commission's determination in Investigation No. 337-TA-75, *Certain, Large Video Matrix Display Systems and Components Thereof.*
>
> * * * * * * *
>
> The sixty day period provided for Presidential review of the Commission determination was not extended since the amendment made by the Commission did not alter the nature of the determination or the order materially. The exclusion order issued by the Commission following that investigation, therefore becomes final automatically on August 19, 1981.

SSIH filed a notice of appeal from both the order of June 19, 1981, and the order of August 10, 1981.[6] SSIH asserts, however, that only the order as modified is reviewable, and that the issues on appeal are limited to the findings related to the modified order. SSIH urges that the Commission erred in holding that the '762 patent was valid and enforceable and was infringed by the SSIH imported scoreboard. It further argues that it has not caused any injury to S-W and that the public interest factors statutorily required for a determination of a remedy under § 337(d) preclude issurance of the order.

---

[3] See n. 1, supra.

[4] See n. 1, supra.

[5] The '762 patent was not in issue in the *Pontiac* case. S-W's counsel conceded during oral argument of the instant appeal that the scoreboard constructed by American Sign & Indicator Co., which was claimed to infringe the claims of the '926 and '335 patents in the *Pontiac* case, did not embody the invention claimed in the '762 patent.

[6] SSIH filed a separate appeal from the denial of a motion to reopen proceedings to consider newly discovered evidence. *See SSIH Equip. S.A.* v. *USITC,* 673 F.2d 1387, 213 USPQ 529 (CCPA 1982) (Petition for writ of mandamus denied). SSIH subsequently amended its notice of appeal to include the denial of that motion in this appeal. In view of our disposition of this appeal, the denial of that motion need not be considered.

S–W argues that the original June 19, 1981 order is the only final appealable order and asks that we affirm the conclusions of validity, infringement, and enforceability of all three patents and all other conclusions supporting that order.

The Government endorses the position of SSIH that only the order as modified is reviewable, but opposes SSIH on all other issues with respect to the correctness of the exclusion order based on the '762 patent.

SSIH and the Government both maintain that the '926 and '335 patents remain in the case only for the purpose of evaluating whether S–W was guilty of inequitable conduct.

II

The initial question is what issues are properly before us. S–W urges that the order of June 19, 1981, is the only exclusion order sent to the President and that after 60 days, since the President did not disapprove it, all of the findings and conclusions underlying that order became final for purposes of appeal by SSIH. In S–W's view, the order of August 10, 1981, did not affect the finality of the June 19, 1981 order; rather the later order merely stayed the date when the first will become operative.

SSIH and the Government argue that the August 10, 1981 order in part nullified the order of June 19, 1981, and only the findings and conclusions which support the more limited exclusion order are subject to review by this court at this time. We agree.

In reaching our conclusion, we have first considered the authority of the Commission to modify an exclusion order before Presidential action during the 60 day period provided for such review. Under the statute, § 337(h),[7] the Commission is specifically authorized to terminate the effectiveness of an exclusion order when the Commission finds that the conditions which led to exclusion no longer exist. S–W argues that this provision does not apply here because the order of June 19, 1981, was not "effective" until after the Presidential review period expired. S–W confuses the "effectiveness" of a determination with its "finality." While Commission determinations are not *final* for purposes of appeal to this court until the review period has run, they are otherwise "effective upon publication * * * in the Federal Register." Section 337(g)(2). During the Presidential review period, products are in fact excluded from entry except under bond. Hence, on June 24, 1981, when the Commission's order was published in the Federal Register (46 Fed. Reg. 32694), the power to terminate arose under § 337(h).

We also conclude that the requisite findings for nullifying the order with respect to the '926 and '335 patents were made. In its

---

[7] See n. 1, supra.

August 10, 1981 order, the Commission stated that it had reviewed the "transcript of the decision [in the *Pontiac* case]" and "*determined* * * * that * * * the exclusion order * * * should * * * operate only with respect to [the '762 patent]." (Italic added.) The Commission thus necessarily found that the conditions leading to a determination to exclude imports on the basis of infringement of claims of the '926 and '335 patents "no longer exist".

Such a finding could properly be premised on the holding of the *Pontiac* case. *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,* 402 U.S. 313 (1971). Moreover, the law is well settled that the pendency of an appeal has no effect on the finality or binding effect of a trial court's holding. *Deposit Bank* v. *Frankfort,* 191 U.S. 499 (1903). *See also* 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 4433 (1981). That rule is applicable to holdings of patent invalidity as well. *Alamance Industries, Inc.* v. *Gold Medal Hosiery Co.,* 194 F. Supp. 538, 540, 129 USPQ 219, 220 (S.D.N.Y. 1961). *See also,* H. Kaye, R. Lupo, and S. Lipman, *The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal Courts,* 64 JPOS 118, 132–33 (1982).

The Commission took the action of modifying its exclusion order on its own motion. We agree that such action was appropriate, given the nature of a § 337 investigation, which results in an order operative against goods and which is equally effective against those who participate as those who do not participate in the proceeding. *Sealed Air Corp.* v. *USITC,* 645 F. 2d 976, 985–86, 209 USPQ 469, 477–78 (CCPA 1981). The Commission cannot assume a passive role once an exclusion order is issued. As stated in *SSIH Equipment S.A.* v. *USITC,* 673 F. 2d 1387, 1390, 213 USPQ 529, 531, n.8 (CCPA 1982):

> [T]he Commission's obligation [is] to be always concerned with the impact of its orders on the United States economy and consumers as well as its obligation to terminate orders.

In view of the foregoing, we conclude that the Commission acted properly in issuing its August 10, 1981 order,[8] and that such action limited the appealable determination under § 337(d) to the validity of an exclusion order based solely on claims 10 and 12 of the '762 patent. SSIH, whose goods were specifically held to be barred by that order, is clearly adversely affected and may challenge the findings and conclusions on which it was based.

---

[8] S-W does not assert that an exclusion order could not be terminated in part. Such a position would raise
only a formalistic, not substantive, objection. By practice, the Commission issues exclusion orders covering sever-
al independent bases for exclusion of goods rather than separate exclusion orders for each. The multiple based
approach was taken here in that goods infringing any *one* of the claims were excluded. Thus, in practical effect,
the June 19 order may be thought of as separate orders on each claim, only two of which were not terminated
on August 10. While the Commission's order of August 10, 1981, was phrased in terms of "suspension" of a por-
tion of the earlier order, its effect was partial termination. We are not bound to consider it anything less be-
cause of the words used. *Cf. Rohm & Haas Co.* v. *USITC,* 554 F.2d 462, 463, 193 USPQ 693, 694 (CCPA 1977)
(Commission order granting motion to dismiss without prejudice held with prejudice).

The dissent's view that the *Pontiac* litigation could only be brought into the case as an affirmative defense of
collateral estoppel by SSIH fails to appreciate that proceedings under § 337 are in the nature of investigations with
only limited aspects of inter partes cases. Further the issue of whether the Commission had to modify its order
under *Blonder-Tongue Labs., Inc.* v. *University of Illinois Foundation,* 402 U.S. 313 (1971), is reserved. We hold only
that there was a justifiable basis for the modification here.

III

Before addressing the merits of this appeal, it is necessary to clarify the standard of review.

The Commission, relying on § 337(c), as amended by the Customs Courts Act of 1980, Pub. L. No. 96–417, § 604, 94 Stat. 1727, 1744 (1980) (hereafter "Customs Courts Act"), and *General Motors Corp.* v. *USITC*, 687 F.2d 476, 215 USPQ 484 (CCPA 1982), *cert. denied,* 103 S.Ct. 729 (1983), contends that all of the Commission's factual findings are reviewable under the "substantial evidence standard." SSIH argues for review under the less stringent "clearly erroneous" standard which was previously applicable to appellate review of Commission decisions.[9]

Section 337(c), as amended, applies to "*civil actions* commenced on or after [November 1, 1980]", Pub. L. No. 96–417, § 701(b)(2), 94 Stat. 1747, 3209 (1980). SSIH asks us to interpret "civil action" to include a Commission investigation. Since the instant investigation began before November 1, 1980, under SSIH's view, the amendment does not affect this case.

Civil actions, as that term is commonly understood, refers to proceedings in court. It has been held, for example, that "a civil action is an adversary proceeding before a court of law; judicial review of a decision of an administrative agency is a civil action; a proceeding before the Commission is not a civil action." *Unnamed Physician* v. *Commission on Medical Discipline,* 400 A.2d 396, 401 (Md. 1979). We believe "civil action" is intended to be so construed here and does not embrace the proceedings before the Commission. The burden of proof borne by SSIH during the investigation was not affected by the Customs Courts Act. We cannot accept that a party would not put forward its best case in anticipation of an easier road to reversal in the event it lost. Nor does SSIH assert that it had a right that a particular review standard be maintained. The question is merely one of statutory interpretation and the intent of Congress. From the language of the amendment we conclude that we are directed to apply the same standard of review to all appeals from Commission determinations after a certain date. Congress has chosen that date and we are not swayed from the conclusion that all appeals filed after November 1, 1980, are thus governed by § 337(c), as amended. *See, e.g., General Motors* v. *USITC, supra.* Accordingly, we will apply the substantial evidence test to factual findings on this appeal.[10] We are not, of course, bound by the Com-

---

[9] Standards of proof must be distinguished from standards of review. SSIH referred to "weight of the evidence" rather than "clearly erroneous" to identify the prior standard of review. However, as more fully explained in this writer's appended views, "weight of the evidence" is more appropriately used to identify a standard of proof at the trial level, and we have, therefore, substituted "clearly erroneous" in its argument.

[10] In *Consolo* v. *Federal Maritime Comm'n,* 383 U.S. 607, 619–20 (1966), the Supreme Court provided the following exposition of the "substantial evidence" test:

Continued

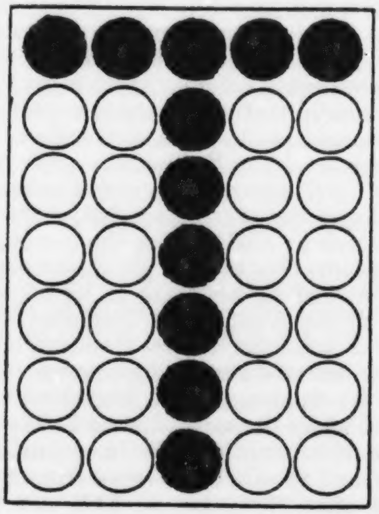
mission's legal conclusions. *See* 5 U.S.C. § 706 (the reviewing court shall decide all relevant questions of law). *Accord, General Motors* v. *USITC, supra.*

IV

A

The invention disclosed in the '762 patent is a system for displaying information and images, especially on stadium scoreboards. A large number of incandescent lamps ("display devices") are arranged in rows and columns to form a matrix. By activating different light bulbs to form patterns, information such as team names and scores and black-and-white stick-figures can be displayed. Claims 10 and 12, the claims in issue, are directed to successive displays of stick-figures to create an illusion of movement (animation).

The large scoreboard matrix is comprised of elements, each of which contains rows of light bulbs. An element displaying the letter "T" would appear thus:[11]



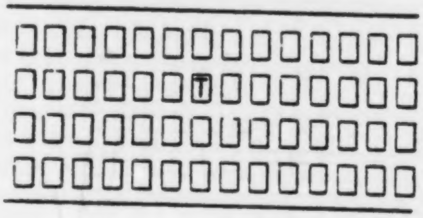
---

[10] *Continued*

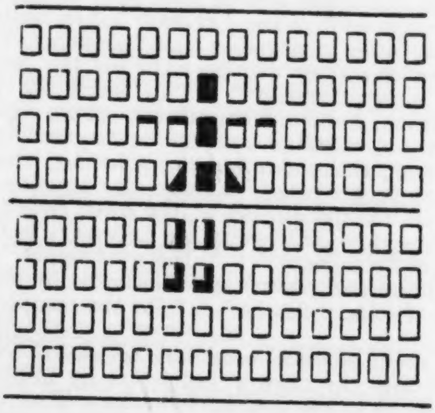
We have defined "substantial evidence" as "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Consolidated Edison Co.* v. *Labor Board,* 305 U.S. 197, 229 [1938]. "[I]t must be enough to justify, if the trial were to a jury, a refusal to direct a verdict when the conclusion sought to be drawn from it is one of fact for the jury." *Labor Board* v. *Columbian Enameling & Stamping Co.,* 306 U.S. 292, 300 [1939] [footnote omitted].

[11] The representative displays shown throughout are really the reverse of the actual display. Where the bulb is off, it appears white in the drawings. Where the bulb is on, it appears black. The opposite effect is seen when the true display is viewed by the human eye.

An element's relationship to the overall display can be illustrated thus:

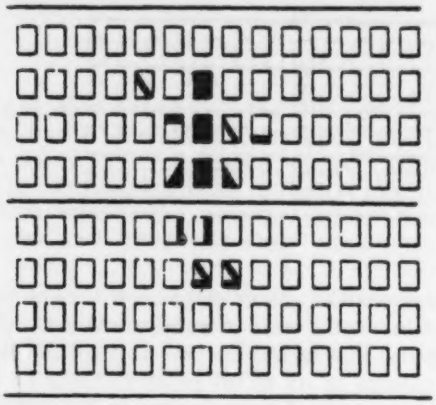


A control unit determines the on-off state of the light bulbs in each element. A particular on-off state is maintained until that element is again "addressed," that is, the control unit selects that particular element for a change in its on-off pattern. Once addressed, all bulbs in the element turn off. If there is data in the control unit presented for another display in that element, the appropriate bulbs will turn on to form the prescribed pattern. Each of the elements in the scoreboard is controlled in the above manner. Thus, to simulate a cheerleader, for example, the appropriate elements would be addressed and provided the necessary data to result in the following (Picture A) on a portion of the scoreboard:



Picture
A

To achieve the appearance of animated motion, the position of the legs and arms can be made to change so that the next picture (Picture B) would look like this:



Picture
B

By alternating between Picture A and Picture B, the cheerleader appears to move. By increasing the number of pictures the animation can be made more complex.

Because each element can be addressed separately, the system is characterized as having a "random accessing" feature in its *preferred* mode of operation. As stated in the specification with regard to a series of pictures like the cheerleader examples above:

> For example, the animated cheerleader * * * may be displayed by programming each of the figures * * * *in individual frames* one after the other in properly timed sequence. The indicator address and character display data for the complete first figure * * * is programmed * * * by using the proper codes for the individual indicator characters, spaces where indicators are blank and carriage returns for sequencing each row. A predetermined interval *after the time* for [the first] figure * * * data is programmed to cause the erasure of the figure in preparation for the display of [the next] figure * * *. A figure may be erased by addressing the necessary indicators followed by the data for a space * * *. The next figure * * * is programmed for the *second frame,* again followed by blanking in preparation for the third figure * * * for the complete cartoon.
>
> *If desired the whole display need not be erased for each frame,* but rather only the desired indicators by individually addressing and actuating the desired indicators. Thus, if only the arms of the [first figure] are to move the appropriate indicators only are addressed and the remaining indicators will stay lit during the sequence. [Italic added.]

Thus, to go from Picture A, there are two options. The first (not random access) is to erase the entire display and to transmit the information necessary to display Picture B. The second is to transmit information only to those elements which are necessary to change from Picture A to Picture B. Whichever method is employed, the above-quoted description makes clear that all of the data necessary to display Picture A is contained in a "frame" for the entire picture, while whatever data necessary to change Picture A to Picture B is also contained in a "frame."

Such a "frame" refers to a "data frame" in a mass storage system, such as magnetic tape or paper tape. The specification discloses a mass storage system and one other temporary storage memory. The temporary storage memory is capable of storing no more data at one time than that associated with one element of the display matrix and acts as a buffer between the mass storage system and the display.

In the embodiment where the system does not function in a "random access" mode, the control system will automatically cycle through every element of the display and activate the lights necessary for a particular display and on the next cycle it can change the display. In this embodiment, the mass memory does not hold data for address purposes. The internal system automatically keeps track of what element is being altered. This embodiment is the type of display which turns off the entire picture and redisplays rather than changing only individual elements.

B

Because of certain statements by the Commission on the effect of the statutory presumption of validity (35 U.S.C. § 282 [12]) in connection with claim 12, we will first address SSIH's contention that claim 12 is invalid.[13] SSIH argues that the invention claimed therein would have been obvious within the meaning of 35 U.S.C. § 103[14] in view of U.S. Patent No. 3,021,387 to Rajchman (Rajchman). There is no dispute that Rajchman is available as prior art, nor does S-W dispute the Commission's view that Rajchman is more relevant than the art cited by the examiner during the prosecution of the '762 patent application.

The distinction between legal conclusions and factual findings with respect to evaluating assertions of obviousness was set forth in *General Motors* v. *United States,* 687 F.2d at 480, 215 USPQ at 487–88:

---

[12] 35 U.S.C. § 282 provides in pertinent part:

> A patent shall be presumed valid * * *. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

[13] Claim 12 reads:

> A system for displaying an animated characterization made up of a sequence of visual display frames comprising a display board having display devices arranged in addressable locations, a memory for storing coded address and display data in data frames pertaining to a desired pattern for each of said visual display frames, means for reading the coded address and display data in said data frames from said memory in sequence, means responsive to the coded address data from said memory for preparing the addressed display devices and means responsive to the display data from said memory for actuating the addressed display devices to form the patterns of each frame.

[14] 35 U.S.C. § 103 provides:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

> In *Stevenson* v. *USITC,* 67 CCPA 109, 112, 612 F.2d 546, 549, 204 USPQ 276, 279 (1979), this court stated:
>
> > Obviousness is a legal conclusion based on factual evidence, *Graham* v. *John Deere Co.,* [383 U.S. 1 (1966)], * * * and not a factual determination.
>
> The factual determinations from which to draw the conclusion of obviousness were set out by the Supreme Court in *Graham* v. *John Deere Co.,* 383 U.S. 1, 17 (1966):
>
> > Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved.

The Commission stated in adopting the recommended determinations of the ALJ:

> The Rajchman patent discloses a mural image reproducer for displaying television pictures utilizing a pair of storage circuits alternately operated to supply video pulses to different rows of luminescent cells. There is more than an insubstantial difference between Rajchman and claim 12, however, in that Rajchman does not teach a memory for displaying data in data frames pertaining to a desired pattern. R.D. finding of fact 61. *The presumption of validity of claim 12 is thus weakened by the failure of the examiner to consider the most relevant prior art—the Rajchman patent—but it is not overcome.* Id. 59, 63. There are differences between claim 12 and Rajchman. Moreover, respondents adduced little or no evidence that claim 12 would have been obvious to one skilled in the art at the time. Id. 62–63. In the absence of clear and convincing evidence of invalidity, doubt must be resolved in favor of the patentee. We therefore find claim 12 of the '762 patent valid.

213 USPQ at 480 (emphasis added).

Contrary to the Commission's statement, the presumption of validity was not altered by introduction of Rajchman, even though it was more relevant prior art. The presumption of validity afforded by 35 U.S.C. § 282 does not have independent evidentiary value. Rather the presumption places the burden of going forward, as well as the burden of persuasion, upon the party asserting invalidity. *Solder Removal Co.* v. *USITC,* 582 F.2d 628, 199 USPQ 129, 133 (CCPA 1978). We do not agree that the *presumption* is affected where prior art more relevant than that considered by the examiner is introduced. Rather the offering party is more likely to carry its burden of persuasion with such evidence. *Solder Removal Co.* v. *USITC,* 582 F.2d at 632–33, 199 USPQ at 133.

With respect to the Commission's statement that there must be "clear and convincing evidence *of invalidity*" (our emphasis), we find it inappropriate to speak in terms of a particular standard of proof being necessary to reach a legal conclusion. Standard of proof relates to specific factual questions. While undoubtedly certain facts in patent litigation must be proved by clear and convincing evidence, *Radio Corp.* v. *Radio Laboratories,* 293 U.S. 1 (1934), the formulation of a legal conclusion on validity from the established facts is a matter reserved for the court. As a reviewing court, this court must determine not only that the facts on which a judgment of validity or invalidity was based were satisfactorily established, but also whether those facts form an adequate predicate for the legal conclusion ultimately made.

With respect to claim 12 which SSIH asks us to hold invalid, there is no evidence of record on which to base that conclusion.

Claim 12 is directed to a scoreboard incorporating the random access feature capable of changing only a particular element. The limitation around which the parties concentrate their arguments pertains to the memory:

> A memory for storing *coded address* and display data in data frames pertaining to a desired pattern for each of said visual display frames * * *. [Italic added.]

During prosecution, the patentee amended claim 12 to specify that the data to be stored must be both address data to determine what part of the display is to be affected, i.e., the element, as well as the data which controls the pattern to be displayed for the entire picture or all parts to be changed. Moreover, the patentee specifically urged that storage of both address and display data was a basis for distinguishing over art cited by the examiner in originally rejecting claim 12. Thus, claim 12 is directed to a randomly accessible display system wherein the memory stores both the address data corresponding to the location of the element to be affected in a display and the data for what change must be made.

Rajchman discloses neither a memory capable of storing more than part of a total picture nor any manner of storing address data. Rajchman simply stores a part of a video signal in a memory whose contents are continually changed to correspond to the portion of the picture to be displayed. The operation of Rajchman is so rapid that an entire picture is viewed even though the whole picture is not stored at any one time. Further, the selection of which portion of the picture to display is automatic and is sequenced to correspond with the normal scanning operation of a television camera, for example. Address data is simply irrelevant in this context.

No prior art having been introduced to show both a memory capable of storing whole frames, nor anything whatsoever to suggest "random accessing" display devices, it has not been shown that the invention in claim 12 would have been obvious. Accordingly, the Commission correctly refused to conclude that claim 12 is invalid.

C

With respect to infringement, the question of "what is the thing patented" is one of law, while the question "has that thing been constructed [made], used or sold" by the alleged infringer is a factual issue, *Winans* v. *Denmead,* 56 U.S. (15 How.) 329, 337 (1853), to be proved by a preponderance of the evidence. *Decca Ltd.* v. *United States,* 544 F.2d 1070, 1081, 191 USPQ 439, 448 (Ct. Cl. 1976). The Commission found that claim 12 was literally infringed by SSIH in the following terms:

> The SSIH invention nonetheless stores address data. Its memory constitutes a map of the display board, storing data at locations corresponding to the locations at which they are displayed. Thus, there is literal infringement of the '762 patent. We reject SSIH's file wrapper estoppel argument because we find literal infringement; infringement under the doctrine of equivalent [sic] is not at issue.

213 USPQ at 484. From a review of the entire record, we find this conclusion unsupported by substantial evidence. Not only has the Commission erroneously ignored the prosecution history of claim 12, which is always relevant to a proper interpretation of a claim, *see Astra-Sjuco A.B.* v. *USITC,* 629 F. 2d 682, 686, 207 USPQ 1, 5 (CCPA 1980); *Autogiro Co. of America* v. *United States,* 384 F.2d 391, 395–99, 155 USPQ 697, 701–04 (Ct. Cl. 1967), but also there is no evidence whatsoever to suggest that "coded address data" is actually stored in the SSIH system. As intimated by the Commission, and as testified to by all of the experts, such address storage is, at most, implicit. Since claim 12 explicitly requires coded address data storage, a conclusion of literal infringement must fail. Hence, the Commission erred in stating that the doctrine of equivalents need not be considered. Since infringement cannot be found in the absence of a finding of equivalence, we reverse the finding of infringement and remand for consideration of equivalence.[15]

The issue of the validity of claim 10 turns on whether the invention claimed therein [16] "was described" by the disclosure in U.S. Patent No. 3,384,888 to Harnden et al. (Harnden) within the meaning of 35 U.S.C. § 102(e).[17]

---

[15] SSIH also urges that claim 12 is unenforceable because S-W's attorneys failed to cite the Harnden patent to the examiner during prosecution. As Harnden is more relevant art, as discussed *infra,* this issue should also have been addressed by the Commission.

[16] Claim 10 reads:

> A system for displaying an animated characterization comprising a display board made up of a plurality of display devices, a memory for storing multibit coded data in data frames pertaining to patterns for forming said animated characterization, means for reading said data frames from said memory in sequence including electric signal conductor means having a sufficient number of conductors to transmit said multibit coded data but substantially less than the number of display devices making up said display board, and means in receipt of the data signals on said conductor means for operating said display devices in accordance with said sequenced data frames.

[17] 35 U.S.C. § 102(e) provides, in pertinent part:

> A person shall be entitled to a patent unless—
>
> * * * * * * *
>
> the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent * * *.

Continued

To be an anticipating reference, Harnden must disclose each and every element of the claimed invention. *Straussler* v. *United States,* 339 F.2d 670, 671, 143 USPQ 443, 443–44 (Ct. Cl. 1964). *See also In re Arkley,* 455 F.2d 586, 172 USPQ 524 (CCPA 1972); *Eastern Rotorcraft Corp.* v. *United States,* 397 F.2d 978, 979, 154 USPQ 43, 44 (Ct. Cl. 1967). Thus, it was required that the Commission determine (1) what is the scope of the claim, i.e., what are all the elements of the claimed invention; and, (2) what does the reference disclose.[18]

The crucial question respecting claim 10, around which the arguments of the parties center, is whether the following limitation found in claim 10 refers to the temporary (one-element) storage within the device or the mass storage system:

> A memory for storing multibit coded data in data frames pertaining to patterns for forming said animated characterizations * * *.

From the analysis of the invention set forth in part IV, A, *supra,* it is manifest that the memory required by claim 10 is one that is capable of storing several frames at one time and, thus, refers to a mass storage system as opposed to the temporary memory. This appears to be the interpretation given by the Commission.

Harnden discloses a travelling message sign, but one which can be made to appear to be stationary and can be used for animation. Harnden states:

> [T]he optical effect as viewed by an observer is that of a sudden presentation of a complete message which may occupy the entire length of the display sign * * * followed by another presentation of a complete message which may be identical to the first or changed therefrom in a predetermined manner.

Only one column of information can be fed into the Harnden display at a time. After the data for a column is fed into the sign, that data is "shifted" to the next column and new data is fed into the first column. To display animations, Harnden requires that Picture A be "shifted" into the display followed by shifting in Picture B. If the shifting is rapid enough, and all of the light bulbs are forced to remain in the off state while the data is being shifted in, the resultant display will be much like the claimed display.

Harnden also discloses a memory 42 in which several columns of information may be temporarily stored. The Commission found that this memory is not a "mass memory," but rather holds no more than the equivalent of data for one element in S–W's display.[19] While we do not question the correctness of this finding, we do not agree that it is dispositive.

---

[17] *Continued*

S–W does not dispute that Harnden's filing date of December 30, 1974, is before the mid-1975 date asserted by S–W as the earliest date by which the invention claimed was first conceived and that Harnden is, thus, a valid reference.

[18] The Recommended Determinations of the Administrative Law Judge (ALJ) and of the Commission are not clear or adequate. It is wholly insufficient to simply restate the language of the claims as findings.

[19] This memory is comparable to S–W's temporary memory.

The Commission (and the ALJ) wholly failed to take into account that Harnden also describes a mass storage system which utilizes, *inter alia*, magnetic tape or paper tape:

> The input information is supplied on a suitable recording medium and may include various types of coded tapes including printed, punched, or magnetic punched or printed cards, magnetic core storage, or film.

Since the limitation quoted from claim 10 requires only that the mass memory hold information necessary to display a series of several pictures (i.e., successive data frames), the conclusion is inescapable that Harnden's mass storage system also holds the data necessary for a series of several pictures to result in animation in the manner above described. Further, S-W does not argue that claim 10 does not otherwise read on Harnden's disclosure, nor do we think such an argument could be made. The major difference between the disclosures of Harnden and the '762 patent resides in the manner by which the information *is directed* to the elements of the display (random vs. nonrandom access). That difference, however, does not appear in claim 10, and we cannot alter what the patentee has chosen to claim as his invention. *Autogiro Co. of America* v. *United States*, 384 F.2d at 396, 155 USPQ at 701, and cases cited at n.5.[20]

Harnden's disclosure of a mass memory was totally ignored by the Commission. Since that memory is the only element said to be missing from the Harnden disclosure, the Commission's conclusion that claim 10 is valid is *reversed.*

SSIH asserts that one or more of the other patents originally asserted by S-W were "procured through inequitable conduct" and that such activity also taints the '762 patent and renders it wholly unenforceable, citing *Keystone Driller Co.* v. *General Excavator Co.*, 290 U.S. 240, 245-47 (1933).

The "inequitable conduct" is said to arise from a failure on the part of S-W to inform the patent examiner of certain acts alleged to constitute a possible on-sale bar under 35 U.S.C. § 102(b)[21] to all but the '762 patent. This inequitable conduct is not said to have occurred in connection with procurement of the '762 patent. Rather, SSIH relies solely on the supposition that all of the patents are so interrelated that S-W's "unclean hands" with respect to the later patents renders the '762 patent unenforceable. We reject this contention as a matter of law.

---

[20] The dissent urges that we resort to the specification to "add-in" random accessing as a limitation. Such an approach would be fruitless where, as here, the specification discloses both random and nonrandom accessing as different embodiments of the same invention. Even the precedent cited by the dissent does not espouse the view that a disclosed embodiment may be disregarded in claim interpretation.

[21] 35 U.S.C. § 102(b) provides:

> A person shall be entitled to a patent unless—
>
> * * * * * * *
>
> The invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States * * *.

The acts which are alleged to have taken place all occurred after the '762 patent issued and do not deal with the invention claimed in the '762 patent. Moreover, the '762 patent issued almost three years before any of the other patents were applied for.

Keystone Driller and its progeny would deny enforcement of the '762 patent only if S-W were to have committed a fraud on the Commission itself. *See, e.g., Pfizer, Inc.* v. *International Rectifier Corp.*, 538 F.2d 180, 195, 190 USPQ 273, 286 (8th Cir. 1976), *cert. denied,* 429 U.S. 1040 (1977). Such a situation does not exist here. Therefore, the enforceability of the '762 patent is unaffected.

VI

The final issues raised by SSIH relate to injury to a domestic industry and the public interest.

The Commission's findings in those areas relied heavily on the '335 and '926 patents and the technology contained therein. The video patents, as the parties refer to them, were the primary focus of the Commission's inquiry. Such an inquiry is of no aid to us now where the only possible remaining basis for exclusion is the one claim (claim 12) which the SSIH and other competing scoreboards may not infringe, *see* n. 5, *supra.* Hence, upon remand the Commission is directed to reevaluate the public interest and injury factors.

CONCLUSION

In view the foregoing, the June 19, 1981 order as modified by the August 10, 1981 order is *vacated* and the case is *remanded* for further proceedings in accordance herewith.

REVERSED IN PART, VACATED, AND REMANDED

KASHIWA, *Circuit Judge,* joins parts III, IVA, IVC, IVD, V and VI.

Additional views of *Circuit Judge* NIES.

These additional comments are added because this author perceives a recurring confusion, as in this case, between standards of proof at the trial level and standards of review at the appellate level with respect to the facts in the case.* The cases reviewed below indicate the importance of recognizing the distinction which must be made between trial and appellate standards and in understanding what is meant by each standard.

The importance of the distinction is well illustrated by the opinion in *Charlton* v. *Federal Trade Commisson,* 543 F.2d 903 (D.C. Cir. 1976), in which the FTC attempted to rely upon "substantial evidence" to *determine* facts. In reversing the FTC's decision, the court provided the following analysis:

---

* I do not at this time enter the debate as to what is a fact but, rather, start with the proposition that a factual issue, not a legal issue, is before the court.

> We perceive one error which, all else aside, necessitates administrative reconsideration of the evidence. The crux of the difficulty is the Commission's use of a totally incorrect standard of proof in passing on Charlton's blameworthiness.
>
> * * * * * * *
>
> It was in the definition of that burden—in the degree of proof required—that the Commission faltered grievously. Its decision on disciplinary action was, in its words, to "be based on substantial evidence of record." "Substantial evidence," the Commission said, was not "the 'preponderance' of the evidence"; but "something less than the weight of the evidence"; it was, the Commission declared, "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." In adopting that formulation as the criterion by which Charlton's conduct was to be gauged, the Commission hopelessly confused two canons designed to serve entirely distinct purposes.
>
> To be sure, on judicial review of agency action, administrative findings of fact must be sustained when supported by substantial evidence on the record considered as a whole. But that rule implicates only the reviewing court; the yardstick by which the agency itself is to initially ascertain the facts is something else again. We need not pause to elaborate on the differing norms for treatment of the evidence in administrative and reviewing tribunals, respectively.[30] It suffices for present purposes simply to recall that in American law a preponderance of the evidence is rock bottom at the factfinding level of civil litigation.[31] Nowhere in our jurisprudence have we discerned acceptance of a standard of proof tolerating "something less than the weight of the evidence."
>
> [30] See generally 4 K. Davis, Administrative Law §§ 29.01–29.11 (1958).
>
> [31] *See, e.g.,* the numerous cases collected in 9 J. Wigmore, Evidence, § 2498 at 325–326 n. 1. (3d ed. 1940), Supp. 1975 at 118–119 n. 1. Sometimes the standard is expressed in somewhat varying phraseology, but the meaning remains substantially equivalent. *Id.* § 2498 and 325–327.

Id. at 906–07 (footnotes 24–29 and 32 omitted).

In *Woodby* v. *INS,* 385 U.S. 276 (1966), the Court similarly reversed because of the misapplication of an appellate standard to the trial level.

I

Standard of Proof of Facts at the Trial Level

A particular quantum or burden of proof at the trial level (standard of proof) is generally a judge-made requirement shaped in accordance with considerations of due process and/or the importance of certain facts. *Herman & MacLean* v. *Huddleston,* 103 S. Ct. 683, 691 (1983). As explicated in *Addington* v. *Texas,* 441 U.S. 418, 423–25 (1979), three levels of proof are generally recognized: preponderance (or weight) of the evidence, clear and convincing proof, and beyond a reasonable doubt. The analysis is as follows:

> The function of a standard of proof, as that concept is embodied in the Due Process Clause and in the realm of factfinding, is to "instruct the factfinder concerning the degree of confidence our society thinks he should have in the correctness of factual conclusions for a particular type of adjudication." *In re Winship,* 397 U.S. 358, 370 (1970) (Harlan, J., concurring). The standard serves to allocate the risk of error between the litigants and to indicate the relative importance attached to the ultimate decisions.
>
> Generally speaking, the evolution of this area of the law has produced across a continuum three standards or levels of proof for different types of cases. At one end of the spectrum is the typical civil case involving a monetary dispute between private parties. Since society has a minimal concern with the outcome of such private suits, plaintiff's burden of proof is a mere preponderance of the evidence. The litigants thus share the risk of error in roughly equal fashion.
>
> In a criminal case, on the other hand, the interests of the defendant are of such magnitude that historically and without any explicit constitutional requirement they have been protected by standards of proof designed to exclude as nearly as possible the likelihood of an erroneous judgment. In the administration of criminal justice, our society imposes almost the entire risk of error upon itself. This is accomplished by requiring under the Due Process Clause that the state prove the guilt of an accused beyond a reasonable doubt. *In re Winship, supra.*
>
> The intermediate standard, which usually employs some combination of the words "clear," "cogent," "unequivocal" and "convincing," is less commonly used, but nonetheless "is no stranger to the civil law." *Woodby* v. *INS,* 385 U.S. 276, 285 (1966). See also C. McCormick, Evidence § 320 (1954); 9 J. Wigmore, Evidence § 2498 (3d ed. 1940). One typical use of the standard is in civil cases involving allegations of fraud or some other quasi-criminal wrongdoing by the defendant. The interests at stake in those cases are deemed to be more substantial than mere loss of money and some jurisdictions accordingly reduce the risk to the defendant of having his reputation tarnished erroneously by increasing the plaintiff's burden of proof. Similarly, this Court has used the "clear unequivocal and convincing" standard of proof to protect particularly important individual interests in various civil cases. *See, e.g., Woodby* v. *INS, supra,* at 285 (deportation); *Chaunt* v. *United States,* 364 U.S. 350, 353 (1960) (denaturalization); *Schneiderman* v. *United States,* 320 U.S. 118, 125, 159 (1943) (denaturalization).

* * * * * * *

We probably can assume no more than that the difference between a preponderance of the evidence and proof beyond a reasonable doubt probably is better understood than either of them in relation to the intermediate standard of clear and convincing evidence. Nonetheless, even if the particular standard-of-proof catchwords do not always make a great difference in a particular case, adopting a "standard of proof is more than an empty semantic exercise." *Tippett* v. *Maryland*, 436 F. 2d 1153, 1166 (CA4 1971) (Sobeloff, J., concurring in part and dissenting in part), cert. dismissed *sub nom. Murel* v. *Baltimore City Criminal Court*, 407 U.S. 355 (1972). [Footnote omitted.]

II

STANDARDS OF REVIEW OF FACTS BY APPELLATE COURT

The standards of appellate review of factual determinations, in contrast to the quantum of proof required at the trial level, are usually statutorily imposed. The standards most commonly specified are "*de novo*," "clearly erroneous," "supported by substantial evidence" and "arbitrary or capricious," which I translate roughly into questions of increasingly narrow focus: Is a finding of fact right; is it wrong; is it unreasonable; is it irrational?

A "*de novo*" standard provides the widest latitude for review of facts. The court in "*de novo*" review must exercise its independent judgment on the evidence of record and weigh it as a trial court. The Court is not, however, required to ignore the decision below. *See Nulf* v. *International Paper Co.*, 656 F. 2d 553, 563 (10th Cir. 1981), and cases cited. *United States* v. *First City National Bank*, 386 U.S. 361, 368–69 (S.D. Tex 1966) provides the following guidance:

> [T]he 1966 Act provides that the court in an antitrust action "shall review *de novo* the issues presented." (Emphasis added.) 12 U.S.C. § 1828(c)(7)(A). It is argued that the use of the word "review" rather than "trial" indicates a more limited scope to judicial action. The words "review" and "trial" might conceivably be used interchangeably. The critical words seem to us to be "*de novo*" and "issues presented." They mean to us that the court should make an independent determination of the issues. Congressman Patman, the Chairman of the House Committee that drafted the Act, in speaking of this *de novo* review, said that the court would "completely and on its own make a determination as to whether the challenged bank merger should be approved under the standard set forth in paragraph 5(B) of the bill." He added that the "court is not to give any special weight to the determination of the bank supervisory agency on this issue."
>
> * * * * * * *
>
> The courts may find the Comptroller's reasons persuasive or well nigh conclusive. But it is the court's judgment, not the Comptroller's, that finally determines whether the merger is legal.

With respect to "clearly erroneous," the next level in the hierarchy, this standard is defined in *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948):

> A finding is "clearly erroneous" when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.

The standard commonly associated with review by an appellate court of agency determinations is "supported by substantial evidence." This standard (perhaps because of its inept name) appears to be the least comprehended. To begin, a "substantial evidence" standard restricts an appellate court to a greater degree than "clearly erroneous" review. The Supreme Court, in *Universal Camera Corp.* v. *NLRB*, 340 U.S. 474 (1951), undertook to set out the development and various interpretations which had been given to "substantial evidence" as a standard of review.

Beginning with its previously defined standard:

> "[s]ubstantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Consolidated Edison Co.* v. *Labor Board*, 305 U.S. 197, 229. Accordingly, it "must do more than create a suspicion of the existence of the fact to be established. . . . it must be enough to justify, if the trial were to a jury, a refusal to direct a verdict when the conclusion sought to be drawn from it is one of fact for the jury." *Labor Board* v. *Columbian Enameling & Stamping Co.*, 306 U.S. 292, 300.

Id. at 477, the Court noted that some courts had interpreted the standard to require a myopic view of the record, stating:

> [U]nder a "prevalent" interpretation of the "substantial evidence" rule "if what is called 'substantial evidence' is found anywhere in the record to support conclusions of fact, the courts are said to be obliged to sustain the decision without reference to how heavily the countervailing evidence may preponderate—unless indeed the stage of arbitrary decision is reached. Under this interpretation, the courts need to read only one side of the case and, if they find any evidence there, the administrative action is to be sustained and the record to the contrary is to be ignored."

Id. at 481 (footnote omitted). The Court unequivocally rejected this interpretation:

> The substantiality of evidence must take into account whatever in the record fairly detracts from its weight. This is clearly the significance of the requirement in both statutes that courts consider the whole record. Committee reports and the adoption in the Administrative Procedure Act of the minority views of the Attorney General's Committee demonstrate that to enjoin such a duty on the reviewing court was one of the

> important purposes of the movement which eventuated in that enactment.
>
> To be sure, the requirement for canvassing "the whole record" in order to ascertain substantiality does not furnish a calculus of value by which reviewing court can assess the evidence. Nor was it intended to negative the function of the Labor Board as one of those agencies presumably equipped or informed by experience to deal with a specialized field of knowledge, whose findings within that field carry the authority of an expertness which courts do not possess and therefore must respect. Nor does it mean that even as to matters not requiring expertise a court may displace the Board's choice between two fairly conflicting views, even though the court would justifiably have made a different choice had the matter been before it *de novo*. Congress has merely made it clear that a reviewing court is not barred from setting aside a Board decision when it cannot conscientiously find that the evidence supporting that decision is substantial, when viewed in the light that the record in its entirety furnishes, including the body of evidence opposed to the Board's view.

Id. at 488.

The Court's ultimate conclusion was as follows (*Id.* at 490):

> We conclude, therefore, that the Administrative Procedure Act and the Taft-Hartley Act direct that courts must now assume more responsibility for the reasonableness and fairness of Labor Board decisions than some courts have shown in the past. Reviewing courts must be influenced by a feeling that they are not to abdicate the conventional judicial function. Congress has imposed on them responsibility for assuring that the Board keeps within reasonable grounds. That responsibility is not less real because it is limited to enforcing the requirement that evidence appear substantial when viewed, on the record as a whole, by courts invested with the authority and enjoying the prestige of the Courts of Appeals. The Board's findings are entitled to respect; but they must nonetheless be set aside when the record before a Court of Appeals clearly precludes the Board's decision from being justified by a fair estimate of the worth of the testimony of witnesses or its informed judgment on matters within its special competence or both.

The narrowest latitude to a reviewing court is where the court can reverse a decision only by finding it "arbitrary or capricious." *Citizens to Protect Overton Park* v. *Volpe*, 401 U.S. 402 (1971), is the seminal case discussing this standard. Suffice for purposes here to say that the standard is

> whether the decision was based on the relevant factors and whether there has been a clear error of judgment.

Id. at 416.

III

Interrelationship of Trial and Appellate Standards

While the standard of review and the standard of proof are distinct concepts, nevertheless, the degree of proof below affects the appellate decision whether to affirm or reverse, regardless of what standard of review is applicable. For example, in reviewing whether the evidence supports a finding of fact on a "clearly erroneous" standard, the decision might be affirmed if the standard of proof below were "weight of evidence" and might be reversed on the same record if the standard of proof were "clear and convincing" evidence. Thus, the appellate court must first focus on what support is needed for the trial court determination and then review, in accordance with the standard of review permitted in the type of case, whether that finding is properly supported. For example, in applying the substantial evidence standard of review (i.e., the reasonableness of the lower decision), the appellate court in *Whitney* v. *SEC*, 604 F. 2d 676, 681 (D.C. Cir. 1979), correctly, in my view, stated its function to be: "We review the Commission's findings only to ascertain whether * * * there is evidence which a reasonable person might find clear and convincing."

Smith, *Circuit Judge*, concurring in part and dissenting in part.

I concur in the decision to remand the case to the U.S. International Trade Commission (Commission), but I respectfully decline to join certain portions of the majority opinion, as set forth below.

I concur in the result reached by the majority that only the '762 patent is before the court in this appeal in that the '926 and '335 patents are not appealable by SSIH at this time. I also agree that claim 12 of the '762 patent is valid, although I feel that the majority unduly limits the scope of claim 12. I respectfully dissent, however, from the majority's conclusion that claim 10 of the '762 patent is invalid. I feel that the court has failed to consider an important question of claim interpretation posed by several precedents of the U.S. Court of Claims.

I

I agree that the issue of the collateral estoppel effect, if any, of the district court judgment of invalidity in the *Pontiac* case should be reserved. Collateral estoppel is an affirmative defense [1] and for that and other reasons simply is not an issue in this case. The Commission could, and apparently did, consider the uncertainty generated by the *Pontiac* judgment in crafting its remedial order.

---

[1] *Blonder-Tongue Laboratories, Inc.* v. *University of Ill. Found.*, 402 U.S. 313, 350, 169 USPQ 513, 527 (1971); Fed. R. Civ. P. 8(c).

II

The '762 Patent

With respect to the validity of claim 12 of the '762 patent, I concur in the result reached by the majority, I am unable, however, to join the majority's conclusion that claim 10 is anticipated by Harnden under 35 U.S.C. § 102(e) (1976). My review of claim 10 has revealed a potential problem of claim interpretation with respect to the precedents of the former U.S. Court of Claims, binding on this court under *South Corp.* v. *United States*,[2] which compels me to dissent.

A

I agree with the majority that claim 12 is valid. The majority's reasoning, however, appears unnecessarily to limit the scope of that claim. The reference Rajchman lacks a memory system as is called for in claim 12 and is, instead, supplied with input data through a photoelectric scanning circuit rather than from a memory. That difference alone is sufficient to ground the conclusion of validity over the reference. Yet, the majority proceeds to read into claim 12 the additional limitation of randomly accessing the display. While claim 12 clearly provides a system *capable* of random access display operation, the invention set forth in claim 12 is not so limited. Claim 12 merely provides a system by which the display *could* be randomly accessed. It is not limited to that mode of operation, but rather, fully in accordance with the limitations of claim 12, an entire subsequent data frame could be read onto the display in a non-random access mode of operation. This departure might be critically important under the doctrine of equivalents on remand.

Nonetheless, I agree with the majority that claim 12 is not literally infringed, as the SSIH system does not store address data in the form required by the claim—multibit coded address data. While a finding of equivalence is implicit in the Commission's decision, the Commission did not undertake the requisite analysis. Thus, the case must be remanded for consideration of whether SSIH's hardwired mode of address data storage infringes claim 12 under the doctrine of equivalents.

B

Claim 10 poses a potential problem of claim interpretation. The parties and the majority focus primarily on the memory limitation of claim 10, and I agree that that element is taught by the reference. The critical limitations of claim 10, however, would appear to be those relating to the sequence of processing and displaying the data.

---

[2] *South Corp.* v. *United States*, 690 F. 2d 1368, 1370, 215 USPQ 657, 658 (Fed. Cir. 1982).

The standard test of anticipation is whether the claim reads on the reference—an "infringement" test. The "majority rule" heretofore has been that the language of the claim defines the metes and bounds of the invention for purposes of determining its validity. A minority of courts have, however, referred to the specification to provide additional limitations to the claim in order to save the claim from invalidity. The court in the instant case appears to analyze the invention as defined exclusively by the limitations of claim 10, without reference to any additional limitations of the specification. It is clear that under such an approach, claim 10 is invalid.

Claim 10 is quite broad. The reference expressly discloses the key element of contention between the parties—the memory element. Additionally, the limitations on the manner of operation and on the sequencing and display of the data are so general and so broad as to read on the reference. If recourse is made to the specification, however, it is clear that the invention and reference do *not* function in substantially the same manner, belying the conclusion that they describe the same invention within the meaning of 35 U.S.C. § 102(e).

The court's approach is, however, supported by a substantial body of precedent. A majority of courts have declined to go beyond the language of the claim to the specification in order to save the claim from invalidity.[3] The court today follows that "majority" approach without recognition of several binding precedents of the Court of Claims, which precedents appear to compel a different result.

The Court of Claims has generally embraced the "minority" approach to claim interpretation. That court has read the claim in conjunction with the specification in order to preserve the validity of a claim.[4] Such "Minority" approach garners at least some degree of support from Supreme Court precedent on the construction of an ambiguous claim.[5] The articulation of the "minority" rule by the Court of Claims, however, goes beyond the situation where the claim is ambiguous.

In *Decca Ltd.* v. *United States*, the Court of Claims, affirming per curiam a recommended decision by then Commissioner Lane (later a judge of the Court of Customs and Patent Appeals), clearly articulated its approach in relying on the specification to supply additional limitations not found in the claims:[6]

---

[3] *See, e.g., Jamesbury Corp.* v. *Litton Indus. Prods., Inc.*, 586 F. 2d 917, 199 USPQ 641 (2d Cir. 1978), *cert. denied*, 440 U.S. 961, 201 USPQ 960 (1979); *Philips Indus., Inc.* v. *State Stove & Mfg. Co.*, 522 F. 2d 1137, 186 USPQ 458 (6th Cir. 1975); *Wilcox Mfg. Co.* v. *Eastern Gas & Fuel Assocs.*, 440 F. 2d 960, 158 USPQ 510 (4th Cir. 1968), *cert. denied*, 393 U.S. 1051, 160 USPQ 832 (1969); *Beatty Safway Scaffold Co.* v. *Up-Right, Inc.*, 306 F. 2d 626, 134 USPQ 379.

[4] *Roberts Dairy Co.* v. *United States*, 182 USPQ 218, 223–24 (Ct. Cl. 1974), *aff'd*, 530 F. 2d 1342, 198 USPQ 383 (Ct. Cl. 1976); *Decca Ltd.* v. *United States*, 420 F. 2d 1010, 1021, 164 USPQ 348, 357 (Ct. Cl. 1970), *cert. denied*, 400 U.S. 865, 167 USPQ 321 (1970); *Palmer* v. *United States*, 423 F. 2d 316, 320–21, 163 USPQ 250, 254 (Ct. Cl. 1969), *aff'd*, 423 F. 2d 316, 165 USPQ 88 (Ct. Cl. 1970), *cert. denied*, 400 ULS. 951, 167 USPQ 705 (1970). *See also Dominion. Magnesium Ltd.* v. *United States*, 320 F 2d 388, 394, 138 USPQ 306, 310 (Ct. Cl. 1963); *Leesona Corp.* v. *United States*, 185 USPQ 156, 164 (Ct. Cl 1975), *aff'd*, 530 F. 2d 896, 192 USPQ 672 (Ct. Cl. 1976). *But see Chesterfield* v. *United States*, 159 F. Supp. 371, 116 USPQ 445 (Ct. Cl. 1958).

[5] *United States* v. *Adams*, 383 U.S. 39, 49, 148 USPQ 479, 482 (1966) ("it is fundamental that claims are to be construed in the light of the specification and both are to be read with a view to ascertaining the invention").

> Defendant contends that claims 1, 2, and 3 of the '980 patent are invalid under Title 35 U.S.C. § 102 or § 103. In support of its contentions, defendant relies on prior art patents and a report disclosing a navigation system known as LF Loran which was developed subsequent to the Loran-A system. * * *
>
> We must note initially that claims 1, 2, and 3 of the '980 patent are so broad, by themselves, as to encompass *any* device accomplishing the general operation they describe. In fact, the claims would read precisely on an apparatus consisting of an LF Loran, with its master and slave stations, transmitting pulse-modulated signals, coupled to the British O'Brien patent, employing a phase discriminator-phase regulator. Since these are clearly "old", and plaintiff insists it has produced something novel, it is evident that a more detailed description is necessary to enable a reader to distinguish the '980 from other devices which might be covered by the '980 claims if they are read broadly and literally. [Emphasis in original.]
>
> *To prevent such invalidity* of the patent for overbreadth and clear anticipation (35 U.S.C. § 112 (1964); Hailes v. Van Wormer, 20 Wall. 353, 372, 22 L. Ed. 241 (1873); *see also* Graver Tank & Mfg. Co. v. Linde Air Products Co., 336 U.S. 271, 276–277, [80 USPQ 451, 453] (1949); Special Equipment Co. v. Coe, 324 U.S. 370, 385–386, [64 USPQ 525, 532] (1945) (dissent); General Electric Co. v. Wabash Appliance Corp., 304 U.S. 364, 368–372, [37 USPQ 466, 468–70] (1938)), *the specifications must in this instance be read to limit the claims.* Hailes v. Van Wormer, 20 Wall. 353, 372, 22 L. Ed. 241 (1873); Dominion Magnesium Ltd. v. United States, 320 F. 2d 388, 394, [138 USPQ 306, 310–11] (1963). The painstaking detail of plaintiff's description indicates that the specifications reveal, not a mere example of his invention, but rather the precise nature of the claimed discovery. Thus, plaintiff's claim must be limited to what appears in the description. Hailes v. Van Wormer, *supra,* 20 Wall. at 372 * * *. * * * [Emphasis supplied.]

Again in *Roberts Dairy* v. *United States,*[7] the court referred to the specification to provide additional limitations to the claim and thus, preserve its validity:

> In *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.,* 243 U.S. 502, 510, 37 S. Ct. 416, 418, 61 L. Ed. 871 (1917), the Supreme Court stated that "The scope of every patent is limited to the invention described in the claims contained in it, read in the light of the specification." More recently, the Supreme Court reiterated that position in *United States* v. *Adams,* 383 U.S. 39, 49, [148 USPQ 479, 482] (1966), when it stated: "It is fundamental that claims are to be construed in the light of the

---

[6] *Decca Ltd.* v. *United States,* 420 F. 2d at 1021, 164 USPQ at 357.

[7] *Roberts Dairy Co.* v. *United States,* 182 USPQ at 223–24, *aff'd,* 530 F. 2d at 1352, 198 USPQ 383.

> specifications and both are to be read with a view to ascertaining the invention." *See also, Tate Engineering, Inc.* v. *United States,* 477 F. 2d 1336, 1340, [117 USPQ 365] (1973). Thus, a patentee is bound by his specification in interpreting his patent claims even when his specification requires a narrower interpretation of the claims than the patentee desires. *Texsteam Corp.* v. *Blanchard,* 352 F. 2d 983, 147 USPQ 431 (5th Cir. 1965), *cert. denied,* 387 U.S. 936, [153 USPQ 888] (1967).
>
> * * * * * * *
>
> Furthermore, *this construction* of claim 1 *is required to* distinguish it, as will be more fully discussed hereinafter, from the prior art and to thus *avoid invalidity. Calico Scallop Corp.* v. *Willis Bros., Inc.,* 458 F. 2d 390, 173 USPQ 321 (4th Cir. 1972); *Tate Engineering, Inc.* v. *United States, supra.* [Emphasis supplied.]

It is clear that there is adequate Court of Claims precedent to support reference to the specification in order to save a claim.

These two analytic approaches (majority and minority) would reach different results on the facts of the instant case. As in *Decca,* despite the breadth of the language of claim 10 standing alone, the specification provides adequate description of the invention to safely conclude that the reference and the invention operate in a substantially different manner and thus reflect different inventions.

The specification discloses an extremely flexible control system for a data display device. Data is stored in "frames" corresponding to the visual display frames. The system is capable of randomly accessing both the memory and the display, although neither claim 10 nor the specification is limited to that mode of operation of either display or memory. The flexibility of the control system enables data to be processed from memory into the display in the sequence that it is displayed. In contrast, the sequencing of data processing and display disclosed by Harnden is far less flexible.

Harnden's logic transfer circuits consist exclusively of serially connected shift registers. This structure is physically incapable of the flexibility of data transfer that is the key feature of the invention embodied in the '762 patent. The shift register logic can transfer data only sequentially from one register to the next consecutive register. Harnden does, however, disclose an animation technique involving the presentation of a data set, flushing that data through the registers, and presentation of the next data set. Harnden processes the data as follows:

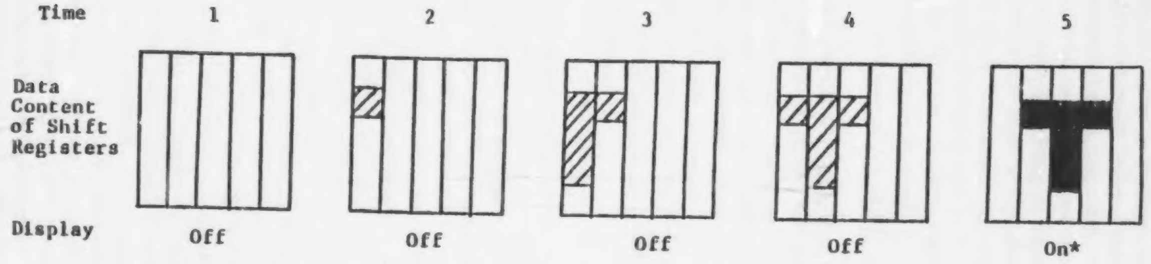
> The traveling message sign hereinabove described may also be utilized as a changing sign, that is, a sign wherein the characters do not move thereacross but are fixed in position and can be changed. Examples of the latter type of sign are * * * and various *scoreboards* associated with sporting events such as baseball and horse racing. The message is en-

> coded on the tape and goes through the same process in information circuit 24 and is thence transferred to the display sign, however, the lamp intensity control 26 is controlled in synchronism with the transfer of the message from information circuit 24 to the remote display sign such that all of the lamps on the sign are maintained in a dark condition during the interval of message transfer. Upon the complete message being obtained on the sign, decoder-encoder 41 instructs speed switch 50 in clock circuit 25 to switch to the stop position, thereby stopping the movement of characters on the display sign, and lamp intensity control 26 is simultaneously controlled to obtained the desired brilliance of lamp intensity on the sign. Thus, the optical effect as viewed by an observer is that of a sudden presentation of a complete message which may occupy the entire length of the display sign, then a short time interval of no message followed by another presentation of a complete message which may be identical to the first or changed therefrom in a predetermined manner. [Emphasis supplied.]

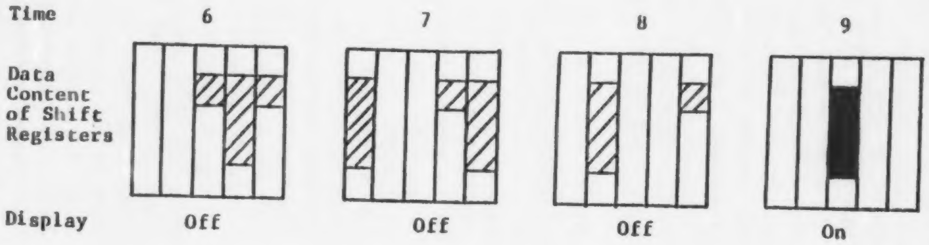
To illustrate, assume a display of five registers and data flow from left to right through consecutive registers, as shown in figure 1.

FIGURE 1

OPERATION OF THE HARNDEN DEVICE
LOGIC AND DISPLAY SEQUENCING


Time
1
2
3
4
5
Data Content of Shift Registers
Display
Off
Off
Off
Off
On*

* When the desired data is centered in the array, the "clock" is stopped and the display is illuminated for the desired length of time.


Time
6
7
8
9
Data Content of Shift Registers
Display
Off
Off
Off
On

The data processing logic of the invention of the '762 patent, on the other hand, is not so limited. The control system of the invention can produce a display of "T" followed immediately by "I" either by changing the entire array or by deleting only the horizontal arms of the "T." The operation can be performed either with or without randomly accessing the memory as well as the display. It is not necessary to process the additional unneeded data through a series of registers, as does Harnden. The specification clearly establishes the mode of operation of the invention and that mode is significantly different from the mode of operation of Harnden. Construed in view of the specification, claim 10 is *not* anticipated by Harnden under 35 U.S.C. § 102(e).

In order to establish the validity of claim 10, it has been necessary to limit the literal language of the claim by reference to the specification. Thus, it would be unfair to grant Stewart-Warner the full breadth of the broad language of the claim for purposes of infringement. I would hold claim 10 valid and remand the case to the Commission for reconsideration of the issue of infringement with specific direction to consider the effect of the reverse doctrine of equivalents on the Commission's finding of infringement.

III

I dissent because the principles of claim interpretation set out in *Decca* and *Roberts Dairy* would produce a result different from that reached by the majority. There are persuasive policy arguments for limiting the definition of the invention to the language of the claims when considering the issue of validity. Such an approach has considerable logical power. It reduces the subjectivity of validity analysis, resulting in increased consistency and predictability. Admittedly, the determination of validity, as opposed to infringement, should not vary based on the equities of any particular case. Yet, that may be the result where equity is allowed to step into the specification and supply additional limitations to the claims. The better rule may well be to force the patentee to bear the burden of invalidity resulting from the overbreadth of a claim.

There is a significant body of precedent, however, which accomodates the more subjective "minority" approach to claim interpretation and the former Court of Claims is one of those courts that has articulated that more subjective approach. Rather than allow the issue to slip silently into the backwaters of the law, I write to ventilate the issue of claim interpretation raised by these precedents. The court does not address this issue today. Despite the problems inherent in a subjective approach, provided that the claim is given a consistent interpretation in any particular case, a fair and consistent result can be achieved. The analysis may be more subjective than under the "metes and bounds" approach; however, as the precedents of this court grow in number, the uniformity and predictability sought by the Federal Courts Improvement Act of

1982 may yet obtain because of the court's exclusive jurisdiction over patent appeals. The "metes and bounds" rule may ensure even greater uniformity and predictability. The court's failure to reject, or even to grapple with, the "minority" rule in this case, however, leaves two sets of rules governing claim interpretation in the body of precedent of the Federal Circuit—a situation far more damaging to predictability than the consistent application of the more subjective rule.

KASHIWA, *Circuit Judge*, joins in Parts I and II.A of this dissent, but not in parts II.B and III.

BALLY/MIDWAY MFG. CO., APPELLANT *v.* UNITED STATES INTERNATIONAL TRADE COMMISSION, APPELLEE

Appeal No. 82-32

714 F.2d 1117

(Decided: August 2, 1983)

Paul Plaia, Jr., of Washington, D.C., argued for appellant. With him on the brief was *Cecilia H. Gonzalez*.

Donald L. Welsh and *Sidney Katz*, of Chicago, Illinois, were on the brief for appellant.

Joel R. Junker, of Washington, D.C., argued for appellee. With him on the brief was *Michael H. Stein*.

George H. Gerstman, of Chicago, Illinois, was on the brief for The Amusement Game Manufacturer's Association, *Amicus Curiae*.

Before FRIEDMAN, NICHOLS, and BENNETT, *Circuit Judges*.

FRIEDMAN, *Circuit Judge*.

This is an appeal from a determination of the U.S. International Trade Commission ("the Commission") that the importation of copies of a particular video game that infringed the appellant's copyright and trademark covering the game did not violate section 337(a) of the Tariff Act of 1930, 19 U.S.C. § 1337(a) (1976). The ground of the Commission's decision was that the practice involved—the importation of the infringing games—did not, as the statute requires, have an "effect or tendency" to "destroy or substantially injure an industry * * * in the United States." We reverse.

I

A. This case grows out of an attempt by the appellant to exclude from the United States foreign-made copies of video games it manufactures and sells in the United States. Video games are a relatively new, but widespread phenomenon in this country. The popularity of the games has resulted in a number of companies which devote substantial resources to the development, production, and sales of this product.

The games generally consist of cabinetry containing electronic circuitry and a television picture tube which serves as a screen on which the visual images of the game are shown. The major component of each game is a printed circuit board which houses the electronic circuitry that generates the images and sounds of the game; the circuit board can be sold separately from the rest of the game.

Unlike most other products, a particular video game generally has only a brief period of popularity, accompanied by high production and sales. As new video games enter the market, the old games decline in popularity, and production and sales decrease. This pattern of production and sales is reinforced by the fact that there are only a limited number of sites for video games (*i.e.*, in arcades), and most arcades will purchase only a few of each game. Thus, there is continual pressure on video game manufacturers to develop new games, and sell as many of each game as possible during its short life-span.

The two games involved in this case, Pac-Man and Rally-X were developed by Namco Limited of Japan in 1980. In the same year, Namco assigned all of its United States rights to the games, including all related copyrights and trademarks, exclusively to Bally, in return for advance payments and royalties. Specifically, Namco authorized Bally to produce, distribute, and service Rally-X and Pac-Man in the United States.

B. 1. On April 17, 1981, Bally filed with the Commission a complaint alleging that 35 companies violated section 337(a) by importing video games that infringe Bally's copyrights and common law trademarks on Rally-X and Pac-Man.

The Commission initiated an investigation in the case on July 1, 1981, and subsequently named 50 respondents. The Commission found that most of the respondents (both foreign and domestic) were in default for failure to respond to the complaint, participate in discovery, or appear in the Commission proceedings. Only a few of the respondents participated in the proceedings at all, and only one of them appeared at the hearing.

A lengthy hearing was held before an administrative law judge, in which substantial testimony was taken and numerous exhibits and depositions were admitted into evidence. The administrative law judge issued a recommended decision in which he concluded that the importation of Pac-Man, but not the importation of Rally-X, had violated section 337(a). After additional hearings, the commission adopted these recommendations. *See In re Certain Coin-Operated Audiovisual Games and Components Thereof,* U.S. Int'l Trade Comm'n Publ. No 1267 (July 1982).

2. The Commission found that Bally's copyrights on "audiovisual works" in the Pac-Man and Rally-X games (*i.e.*, the mazes, characters, and other graphic works appearing on the screen in the games and the accompanying sound effects) were valid, and were infringed by respondents' video games that copied these audiovisual

works. The Commission also found that Bally had common-law trademark rights to the names "Pac-Man" and "Rally-X," and that these rights were infringed by the use of similar names on the respondents' games.

The Commission accepted the administrative law judge's "traditional definition" of the domestic industry as "that portion of complainant's business devoted to the exploitation of the intellectual property rights in issue," and agreed with his application of this definition "only to those facilities making and selling *games* under the Pac–Man and Rally-X copyrights and trademarks." (Emphasis in original.)

The Commission found that under this standard "there is an industry currently involved in the production, distribution and sale" of the Pac-Man game, and that the industry was efficiently operated. The "Pac-Man industry has enjoyed considerable success * * *" and "it is expected that Pac-Man's market life will continue, at least through the end of 1982, and possibly longer."

The Commission then found that the "unfair acts alleged have the effect or tendency of substantially injuring the domestic Pac-Man industry." It stated that Bally "has lost * * * [a number of] Pac-Man sales" to infringing imports sold in the United States, which were virtually indentical to the Pac-Man game. It also indicated that the substantial percentage by which the prices of the infringing imports are lower than Bally's prices for Pac-Man "is strong evidence of a tendency to substantially injure the domestic industry."

The Commission concluded that the importation of video games that infringed Bally's trademark and copyright on Pac-Man violated section 337(a). The Commission entered an order under section 337(d) excluding from entry into the United States "[c]oin-operated audiovisual games and components thereof which infringe complainant's Pac-Man copyrights and/or trademark" except where "such importation is licensed by the copyright and/or trademark owner."

3. With respect to Rally-X, the Commission concluded that no domestic industry existed. It stated that Bally's inventory of Rally-X games is low, that "[c]urrently, there are no facilities being used to produce an article competitive with the imported Rally-X games[,]" and that the "[c]omplainant is no longer actively engaged in distribution or sale of Rally-X games." Based on the administrative law judge's findings, the Commission concluded that "the popularity of the Rally-X game is in a state of permanent decline[,]" and that "[t]here is nothing in the record to indicate that complainant will resume the manufacture and marketing of the games even if the Commission were to find a violation of section 337 and issue a general exclusion order * * *."

The Commission also agreed with the administrative law judge that if a Rally-X industry did exist, it was "efficiently and economically operated."

The Commission also found that, if a Rally-X industry existed, it was not injured by the infringing imports. The Commission stated that "[t]here is no evidence in the record that the decline in sales of Rally-X games is due to import competition, or that, in absence of import competition, domestic production of the Rally-X game would have continued." The Commission agreed with the finding of the administrative law judge that "the popularity of the Rally-X game is in a state of permanent decline which is characteristic of such games."

II

Section 337 (a) makes unlawful

> [u]nfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale * * *, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry * * *.

As noted, the Commission defined the domestic "industry" in this case as the facilities of Bally that produced and sold the Rally-X game. The parties generally do not question that definition, and we accept it as the basis for deciding this case.

Although, the Commission discussed the case in terms of the status and effect of the importations upon the Rally-X "industry," as the statute requires, a more realistic analysis must recognize that the actual focus of the inquiry was upon a particular and relatively narrow segment of Bally's business, namely, the production of Rally-X games. The correctness of the Commission's two critical rulings in this case—that there was no domestic Rally-X industry and that, if there were one, it had not been injured by the importation of the infringing video games—must be determined in the light of the actual business operations that the Commission was endeavoring to protect from unfair competition in applying section 337.

A. 1. The Commission based its determination that there was no Rally-X industry on the market conditions that existed when it decided the case. We conclude, however, that in the circumstances of this case the proper date for determining whether Bally's Rally-X game constituted an "industry" entitled to protection under section 337 was the date on which the complaint was filed rather than the date on which the Commission rendered its decision.

a. Section 337(a) prohibits unfair practices "the effect or tendency of which is to destroy or substantially injure" a domestic industry. Under the Commission's theory, if there is an existing industry when the complaint is filed, but it is destroyed by the unfair practices during the Commission proceedings, there has been no violation of section 337(a). The effect of the Commission's position, if adopted, would be to vitiate the statutory proscription of unfair practices "the effect * * * of which is to destroy * * *" a domestic industry.

The Commission's interpretation of section 337(a) also produces anomalous results. If the effect of the unfair practices has been to injure seriously the affected business during the administrative proceeding—for example, if the infringing imports captured half of the complainant's business—the importation would violate section 337(a). If, however, the infringers were so effective that they succeeded in capturing all of complainant's business and therefore destroyed relevant "industry," then there would be no violation under the Commission's theory. The result would be that the infringing importers whose unfair practices were most effective, i.e., those who succeeded in destroying their American competition, would be treated more favorably than those whose unfair practices were less successful. It is most unlikely that Congress, which enacted section 337 to "prevent every type and form of unfair practice" and to provide "a more adequate protection to American industry than any anti-dumping statute the county has ever had[,]" intended the statute to have such a bizarre effect. Sen. Comm. on Finance, S. Rep. No. 595, 67th Cong., 2d Sess. 3 (1922) (accompanying Tariff Act of 1922).

The anomaly of the Commission's interpretation of the statute is especially disturbing in the case of the video game business. As indicated, the nature of the product and its distribution mean that most individual games have extremely limited lives, and that even the most successful games are on the market for a relatively brief time. In many instances, it seems likely that infringing imports will destroy or virtually eliminate the market for a particular domestically manufactured game before the Commission could complete its administrative proceedings.

In this very case, for example, the unfair practices directed against Rally-X were identical to those directed against Pac-Man. The reason the Commission protected Pac-Man from further injury by an exclusion order was that the Pac-Man infringing imports had not been as successful in injuring Bally's Pac-Man business as the infringing Rally-X game had been in injuring Bally's Rally-X game. Bally's Rally-X game, however, is just as entitled to protection under the statute as the more successful and apparently economically stronger Pac-Man game.

There is additional support for our conclusion in the statute itself. Section 337(a) prohibits not only unfair practices, the effect or tendency of which is to destroy or substantially injure a domestic industry, but also those that do or may "prevent the establishment of such an industry * * *." Since Congress barred unfair practices that prevent the establishment of a domestic industry, it is hard to believe that it did not also intend to prohibit unfair practices that were so effective that they destroyed an existing industry before an administrative proceeding under section 337 could be completed. Indeed, one would think that Congress would be more concerned with protecting an existing business from rapid destruction by imports than with protecting a business that had not yet come into existence. Under the Commission's theory, however, the non-existent business would receive greater protection than the existing one destroyed by import competition during the pendency of the case.

In sum, if there was an existing domestic Rally-X "video game industry" when the complaint was filed, section 337(a) was satisfied.

b. In its brief, the Commission argues that the remedies it may provide under section 337, namely, exclusion and cease and desist orders, are "prospective in nature, applying only to future conduct or activities[,]" and that "[t]he statute does not provide for recovery for past damages suffered." The Commission apparently contends that because it probably would not have entered a remedial order against the infringing Rally-X games even if it found a violation, that fact precluded a finding of violation.

The Commission's conclusion does not follow from its premises, however. The statutory scheme bifurcates the violation and remedy phases of a case. Section 337(c) first directs the Commission to determine "whether or not there is a violation * * *." If the Commission determines that "there is [a] violation," section 337(d) directs the agency then to consider the question of remedy to deal with the violation found.

In making the remedy determination, section 337(d) requires the Commission to consider "the effect of [the] exclusion [of imports] upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers * * *." The Commission thus is required to consider a different and broader range of issues in deciding the remedy question than in deciding whether there is a violation. Furthermore, unlike the violation determination, an exclusion or cease and desist order of the Commission is not effective unless and until the President has approved it. 19 U.S.C. § 1337(g).

The Commission itself has recognized that the issues of violation and remedy are separate, and that it should determine the question of violation even though it might not issue any remedy if it finds a violation. In *In re Certain Automatic Crankpin Grinders*, 205 USPQ 71 (1979), the Commission first held that the importation into and sale in the United States of foreign products that infringed United States patents violated section 337 because the effect or tendency was to destroy or substantially injure a domestic industry. It then concluded, however, that in the circumstances of the case, "the public interest considerations * * * are stronger than complainant's rights to enforcement of its patent monopoly through a remedy pursuant to section 337. Accordingly, we are providing no remedy for the violation of section 337, which we have found to exist." 205 USPQ at 80.

In sum, Congress did not intend the Commission to consider questions of remedy when the agency determines whether there is a violation.

2. The record shows that when Bally filed a complaint with the Commission in April 1981, its Rally-X business constituted an existing "industry" under section 337(a).

Bally manufactured and sold a substantial number of Rally-X games during the first half of 1981. (Since the Commission treated production and sales figures as "confidential business information" that it placed under a protective order, and since we authorized the portions of the record containing those data to be submitted *in camera,* we do not state in this opinion the actual figures.) Bally continued this business until late 1981, although "production and sales * * * decreased" from March through November of that year. Bally apparently had ceased production and most sales of the game by late 1981, and few games were left in inventory at that time.

Although Bally's Rally-X business was small in comparison with its Pac-Man business, this comparison is misleading in determining whether the Rally-X business was an existing "industry" when the complaint was filed. The administrative law judge noted that Pac-Man "has demonstrated a viability and popularity in the market that is somewhat exceptional compared to other * * * games." Moreover, "[t]here is nothing in the statute which requires that an industry must be of any particular size * * *." *In re Von Clemm,* 229 F.2d 441, 444, 108 USPQ 371, 373 (CCPA 1955).

Since most individual games in the video game business have only a short life (see *supra,* page 2), it is immaterial that Rally-X was in this category. If the fact that Rally-X was short-lived was dispositive or even significant in determining the existence of an industry under section 337(a), it would be a rare video game that would be entitled to the protection of that section. There is nothing in the statute that indicates or even suggests that Congress did not intend relatively short-lived American video games to receive the same protection against copyright and trademark infringement by imported competing products that other domestic businesses enjoy.

Bally's Rally-X business thus constituted a domestic industry under section 337(a) at the time the complaint was filed. The deterioration of that business during the Commission proceedings does not undermine that conclusion.

B. The Commission also erred in its alternative ground for dismissing the complaint with respect to Rally-X: that even if there were a Rally-X industry, it had not been injured by the infringing imports.

1. The number of infringing Rally-X games sold in the United States was significant. Several respondents who entered into consent decrees indicated that they either imported and sold infringing games or that they purchased them. Bally's distributors have complained to Bally about a number of other infringing sales, and video game operators have told Bally of "copy games" they have seen in their particular areas. Customs officials testified that infringing Rally-X games have and were (and are still) entering the United States, and that their number "has recently increased."

Since there is no indication that the infringing games were purchased in substitution for some other game rather than in substitution for Bally's Rally-X game, the inference is inescapable that every sale of an infringing Rally-X game resulted in a lost scale of that game by Bally. Indeed, in the case of Pac-Man, the Commission based its finding of injury on the fact that the sales of infringing games represented a loss of sales by Bally. There is no basis to believe that the effect of the infringing imports of Rally-X on Bally's Rally-X business was any different from the effect of infringing imports on its Pac-Man business.

In discussing the injurious effect of the infringing imports upon Bally's Pac-Man business, the administrative law judge stated that "[i]f all named respondents had participated in discovery, additional lost sales would have been established for the record," and that this conclusion "is buttressed by evidence which indicates that the importation of video games [including Pac-Man Rally-X] has recently increased." Based on these findings, the Commission drew an inference in favor of Bally that the number of lost Pac-Man sales indicated by the record is "an underestimation" because of "the multiplicity of defaulting respondents and the popularity of the game * * *." There is no reason why a similar inference should not be drawn in the case of the Rally-X games.

Although the number of infringing imports was not a high percentage of Bally's total sales of the Rally-X game, it was enough to establish injury to a domestic industry under section 337(a). That section prohibits not only unfair acts, the effect of which is to "destroy or substantially injure" a domestic industry, but also such acts that have a "tendency" to do so. The sales of infringing Rally-X games were approximately the same percentage of Bally's total sales of those games as the sales of the infringing Pac-Man games were of Bally's total sales of Pac-Man. The Commission held that the loss of that percentage of Bally's Pac-Man business to the infringing imports established that those imports created a tendency to injure, in violation of section 337(a). There is no basis for a different conclusion with respect to the comparable sales of the infringing Rally-X games.

Where the unfair practice is the importation of products that infringe a domestic industry's copyright, trademark, or patent right, even a relatively small loss of sales may establish, under section

337(a), the requisite injury to the portion of the complainant's business devoted to the exploitation of those intellectual property rights. In discussing the application of section 337 to unfair competition involving patent infringement, Congress stated: "Where unfair methods and acts have resulted in conceivable losses of sales, a tendency to substantially injure such industry has been established." *See* House Comm. on Ways and Means, TRADE REFORM ACT OF 1973, H.R. Rep. No. 571, 93d Cong., 1st Sess. 78 (1973). *Accord, Von Clemm,* 229 F.2d at 445, 108 USPQ at 374. As the administrative law judge explained with respect to Pac-Man, "[t]he pirating of these games * * * can only have an adverse effect on competition in the development and manufacture of video games [under trademarks and copyrights]. There will be little incentive for video game manufacturers to devote the months or years necessary to develop a new video game if the result of their ingenuity and workmanship can be stolen so easily and the resultant product can be instantaneously undersold by pirated copies."

Accordingly, the sales of Rally-X that Bally lost to the infringing imports established the requisite injury to the Rally-X industry under section 337(a).

Other indicia of injury, which the Commission relied on to show that the domestic Pac-Man industry suffered injury, are also present here. *Cf. Astra-Sjuco, A.B.* v. *U.S. Int'l Trade Comm'n,* 629 F.2d 682, 690, 207 USPQ 1, 8 (CCPA 1980) (applying similar criteria of injury). The record shows that foreign importers have sent numerous solicitations to potential United States purchasers of Rally-X that advertise infringing games, and that these solicitations continued during the hearings. Additionally, the foreign markets for the sale of Rally-X games (particularly Japan) are saturated and, as a consequence, foreign manufacturers of infringing games (mostly Japanese companies) have a large surplus inventory to sell in the United States at low prices and a substantial capacity to produce additional games. The continuing solicitations, coupled with the surplus inventory and capacity to make Rally-X games, strongly suggest that the foreign companies intend to continue sales of infringing imports where they can.

2. The Commission found, however, that the decline in Bally's sales of the Rally-X game resulted not from the infringing imports but from the drop in popularity of the game itself. It concluded from this fact that the unfair practices were not the cause of the injury that Bally suffered during the period of the imports.

As discussed above, the record shows that a significant number of the infringing Rally-X games, which were virtually identical to Bally's game, were imported into and sold in the United States.

The administrative law judge also found that "[p]rice is a major consideration for the purchasers of video games," and that "[t]here is a significant price differential between [the] infringing imported games and complainant's games." He further found that "[t]he locations where video games can be placed are limited," that "when there is an opening at a location, usually only one game can be placed there." Therefore, "[w]hen a sale is lost at a particular location, that sale cannot be subsequently recovered." These findings related to the video game industry generally, not just to Pac-Man.

This evidence demonstrates that Bally's Rally-X games and the infringing imports are virtually identical, that the infringing imports were significantly cheaper than Bally's product, and that the market for Rally-X games necessarily is limited. In these respects, the situation of Rally-X cannot be distinguished from that of Pac-Man. It was on the basis of virtually identical facts that the Commission concluded that the infringing imports injured the Pac-Man industry. These facts also require a finding of injury to the Rally-X industry.

The evidence the Commission relied on to find that infringing imports were not the cause of injury to the Rally-X industry indicates that Rally-X sales declined in 1981, that Rally-X is a less popular game than Pac-Man and several other games, and that perhaps Bally lost some Rally-X sales because of the presence of these other games. This evidence is not inconsistent with, and therefore does not refute the other evidence in the record showing that the infringing imports injured Bally's Rally-X business, however. Indeed, the Commission accepted this conclusion in the case of Pac-Man, since it found injury to that industry because of lost sales and other instances of injury (described above) even though "the pace of [Bally's] sales [of Pac-Man] had slowed somewhat," which might suggest a lessening of popularity of that game also.

This case, therefore, is not one in which the agency decision was dependent on selecting between two sets of conflicting evidence. Rather, it is one where uncontradicted evidence established injury to Bally's Rally-X business, and other evidence—not in conflict—indicates that other factors resulted in Bally's loss of additional Rally-X sales. The Commission thus cannot defend its decision on the injury issue, as it seeks to do, on the theory that since the evidence on injury was conflicting, the agency acted within its discretion in accepting one rather than the other body of evidence.

CONCLUSION

The determination of the U.S. International Trade Commission that there has been no injury to the domestic Rally-X industry is *reversed.* The case is *remanded* to the Commission for further proceedings on the relief aspect of this case, consistent with this opinion.

REVERSED AND REMANDED

NICHOLS, *Circuit Judge,* concurring.

I join in Judge Friedman's clear and able opinion, but I would go further.

The record here reflects little short of total breakdown of the laws respecting unfair practices in import trade, *e.g.,* 19 U.S.C. § 1337, at least as applied to video games. Counsel in oral argument also characterized 19 U.S.C. § 1526 as ineffective so far as they were concerned.

It is evident that a breakdown of law enforcement inflicts injury far beyond the immediate victim. If persons are lawlessly gunned down on the public streets, and the state makes no effective response, those far removed from the scene acquire hand guns for personal protection, with all the dangers incident. They stay off all streets at night, and some at any time, to the point they are virtually prisoners in their own homes. The prosperity of legitimate business is destroyed, real estate values tumble, and jobs vanish from the employment market, except perhaps jobs as private guards, which proliferate. Eventually, if things go far enough, all will adhere to some mafia, or other extra-legal government, hoping it will avenge their death, and being, unlike the state, perfectly willing to do so, may even deter that event from happening. These are the reasons why murder is not, as it once was, a merely private wrong, to be avenged by the family of the victim only.

Something parallel, if less dramatic, occurs if the state creates patent and trademark rights and fails to enforce them, though they are important to the state and not to the patent and trademark holder only. If, however, the original producing infringer is outside the United States, the burden of enforcement falls on different shoulders. By § 1337, the ITC is here the chief of police, and the officers of the customs are the patrolmen on the beat, doing what they are told.

The treatment of "injury" to a domestic industry as abated if the domestic industry dies during the course of the ITC proceeding, impresses me as one of the evasions law enforcement officers are prone to when the task appears too formidable. I heartily join in the court's condemnation of it. But, to me, the weird definition of "domestic industry" is likewise an evasion. To me it is obvious there is one industry: all the law-abiding domestic producers of video games. Is there a new industry every time an Italian designer comes out with a new design of women's shoes, or is there a shoe industry? A public and obvious demonstration that the protective laws are ineffectual induces capital to be withdrawn from the industry to some safer use, and prevents new video games from being conceived, manufactured, and marketed in a lawful way. Is this not the injury the Congress enacted § 1337 to prevent? If not, what was it?

It is not, however, my intent to pronounce dicta on the infinite variety of future cases that may come before the court. The congressional purpose is best served by flexibility. It may make a difference in what context "injury" is used which may include dumping and countervailing duty cases. "Injury" may at times be narrowly focused and it would frustrate Congress to look at a broad industry that may remain healthy. In the *Von Clemm* case, cited by the panel, it is made clear the statute therefore does not require the "industry" be of any particular size nor does it specify whether the "industry" is one company or several. Here we have not just one company, but one product of one company singled out as the whole "industry." Obviously the language that defines "injury" as including "or to prevent the establishment of such an industry" is deprived of all meaning if limited to preventing establishment of another "industry" to produce the Rally-X game. We might be safe in assuming that the supposititious founder of a new "industry" always would seek to differentiate his product in some fashion and it seems to me going too far to suppose that by effectuating such a policy he would take himself outside the statute. Such an interpretation makes the statute a disincentive to resourcefulness.

SMITH-CORONA GROUP, CONSUMER PRODUCTS DIVISION, SCM CORP., APPELLANT *v.* THE UNITED STATES, APPELLEE, and BROTHER INDUSTRIES, LTD., BROTHER INTERNATIONAL CORP., SILVER SEIKO, LTD., and SILVER REED AMERICA, INC., PARTIES-IN-INTEREST

Appeal No. 82-24

713 F.2d 1568

(Decided: August 9, 1983)

Eugene L. Stewart, of Washington, D.C., argued for appellant. With him on the brief was *Terence P. Steward*.

Richard J. Sexton, and *Edwin Silverstone*, of New York, New York, of counsel.

Veita A. Melnbrencis, of Washington, D.C., argued for appellee. With her on the brief were *J. Paul McGrath*, Assistant Attorney General, *David M. Cohen*, Director and *Francis J. Sailer*.

Wesley K. Caine, of Washington, D.C., argued for Brother Industries, Ltd. and Brother International Corporation. With him on the brief were *H. Willaim Tanaka* and *Donald L. E. Ritger*.

William H. Barringer, of Washington, D.C., argued for Silver Seiko Ltd. and Silver Reed America, Inc. With him on the brief were *Noel Hemmendinger* and *Christopher Dunn*.

Frederick L. Ikenson and *J. Eric Nissley*, of Washington, D.C., and *Philip J. Curtis*, of Glenview, Illinois, were on the brief for Zenith Radio Corporation, Amicus Curiae.

Before RICH, *Circuit Judge*, SKELTON, *Senior Circuit Judge*, and SMITH, *Circuit Judge*.

SMITH, *Circuit Judge*.

This appeal presents a challenge to various price adjustments granted to the foreign manufacturers and importers of the subject merchandise by the U.S. International Trade Administration (ITA) in determining antidumping duties under 19 U.S.C. §§ 1673 *et seq.* (Supp. V 1981). Apppellant, a domestic manufacturer, appeals the April 30, 1982, decision and order of the U.S. Court of International

Trade [1] (CIT) denying appellant's motion for summary judgment, granting the Government's motion for summary judgment, and dissolving the preliminary injunction that had previously been issued.[2] We affirm.

I

Appellant, Smith-Corona Group, Consumer Products Division, SCM Corporation (Smith-Corona), is the last remaining domestic manufacturer of portable electric typewriters. Brother Industries, Ltd., and Brother International Corp. (collectively Brother) are respectively, a Japanese manufacturer and an importer of portable electric typewriters from Japan. Intervenors, Silver Seiko, Ltd., and Silver Reed America, Inc. (collectively Silver), also are, respectively, a Japanese manufacturer and an importer of the subject merchandise from Japan.

On August 13, 1980, commerce published in the Federal Register its "Early Determination of Antidumping Duties." [3] This determination concerns certain portable electric typewriters from Japan manufactured and imported by Brother and Silver and entered or withdrawn from warehouse on or after January 4, 1980, through May 7, 1980. As part of the early determination, certain adjustments were made to foreign market value, reducing substantially the estimated dumping margins.[4] Smith-Corona appealed to the CIT. On April 30, 1982, the CIT filed a memorandum and order affirming the August 13, 1980, Early Determination of Antidumping Duties in all respects. The instant appeal by Smith-Corona is from that judgment.

II

The Tariff Act of 1930, as amended by the Trade Agreements Act of 1979,[5] establishes an intricate framework for the imposition of antidumping duties in appropriate circumstances. The number of factors involved, complicated by the difficulty in quantification of these factors and the foreign policy repercussions of a dumping determination, makes the enforcement of the antidumping law a difficult and supremely delicate endeavor. The Secretary of Commerce (Secretary) has been entrusted with responsibility for implementing the antidumping law.[6] The Secretary has broad discretion in executing the law. While the law does not expressly limit the exercise of that discretion with precise standards or guidelines, some general standards are apparent and these must be followed. The Secretary cannot, under the mantle of discretion, violate these standards or interpret them out of existence.

---

[1] *Brother Indus., Ltd.* v. *United States*, 540 F. Supp. 1341 (CIT 1982).

[2] *Smith-Corona Group, Consumer Prods. Div., SCM Corp.* v. *United States*, 1 CIT 89, 507 F. Supp. 1015 (CIT 1980).

[3] Early Determination of Antidumping Duties, 45 Fed. Reg. 53,853 (1980). On January 4, 1980, the Treasury Department published its tentative determination that certain portable electric typewriters from Japan were being sold in the United States at less than fair value. Withholding of Appraisement, 45 Fed. Reg. 1,220 (1980). The International Trade Administration, U.S. Department of Commerce (ITA), on May 9, 1980, published an "Antidumping Duty Order." 45 Fed. Reg. 30, 618 (1980). Pursuant to that order, Brother and Silver were required to deposit estimated antidumping duties, pending liquidation of entries.

[4] The dumping margins were reduced from 48.70% ad valorem for Brother and 36.53% ad valorem for Silver to 5.31% ad valorem and 14.91% ad valorem, respectively.

[5] 19 U.S.C. §§ 1673 *et seq.* (Supp. V 1981).

The Antidumping Act provides that if foreign merchandise is sold or is likely to be sold in the United States at less than its *fair value* to the material injury of a United States industry, then an additional antidumping duty shall be imposed.[7] The amount of the duty shall equal the amount by which the *foreign market value* exceeds the *United States price* for the merchandise.

Foreign market value and United States price represent prices in different markets affected by a variety of differences in the chain of commerce by which the merchandise reached the export or domestic market. Both values are subject to adjustment in an attempt to reconstruct the price at a specific, "common" point in the chain of commerce, so that the value can be fairly compared on an equivalent basis. While the statute does not specify *where* in the chain of commerce price is constructed, the specific statutory adjustments appear to indicate an "f.o.b. foreign port" price.

United States price, as defined in section 1677a,[8] is computed by one of two methods: purchase price or exporter's sales price. The antidumping law attempts to construct value on the basis of arm's length transactions. The arm's length sale takes place at different points in the chain of commerce depending on whether the goods traveled through a related importer or through an independent, unrelated importer. Thus, different methods of computation of United States price are required depending on the relationship of the importer to the foreign producer.

---

[6] The Secretary of the Treasury was originally named as administering authority of the antidumping law. 19 U.S.C. § 1677(1) (Supp. V 1981). As noted by the CIT below, 540 F. Supp. at 1347 n.4, almost all of Treasury's responsibilities were transferred to the Department of Commerce on January 2, 1980, pursuant to Reorganization Plan No. 3 of 1979, 44 Fed. Reg. 69,273 (1979). This appeal arose out of the Early Determination of Antidumping Duties by Commerce. *See supra* note 3.

[7] 19 U.S.C. § 1673 (Supp. V 1981) provides:

"§ 1673. Imposition of antidumping duties.

"If—

"(1) the administering authority determines that a class or kind of foreign merchandise is being, or is likely to be, sold in the United States at less than its fair value, and

"(2) the Commission determines that—
"(A) an industry in the United States—
"(i) is materially injured, or
"(ii) is threatened with material injury, or
"(B) the establishment of an industry in the United States is materially retarded,
by reason of imports of that merchandise,
then there shall be imposed upon such merchandise an antidumping duty, in addition to any other duty imposed, in an amount equal to the amount by which the foreign market value exceeds the United States price for the merchandise.

[8] § 19 U.S.C. § 1677a provides:

"(a) United States price.

"For purposes of this subtitle, the term 'United States price' means the purchase price, or the exporter's sales price, of the merchandise, whichever is appropriate.

"(b) Purchase price.

"For purposes of this section, the term 'purchase price' means the price at which merchandise is purchased, or agreed to be purchased, prior to the date of importation, from the manufacturer or producer of the merchandise for exportation to the United States. Appropriate adjustments for costs and expenses under subsection (d) of this section shall be made if they are not reflected in the price paid by the person by whom, or for whose account, the merchandise is imported.

"(c) Exporter's sales price.

"For purposes of this section, the term 'exporter's sales price' means the price at which merchandise is sold or agreed to be sold in the United States, before or after the time of importation, by or for the account of the exporter, as adjusted under subsections (d) and (e) of this section."

Where the importer is an unrelated, independent party, purchase price is used. Purchase price is the actual or agreed-to price between the foreign producer and the independent importer, prior to the time of importation. Where the importer is related, an arm's length transaction does not occur until the goods are resold to a retailer or to the public. In that case, "exporter's sales price" is used. Exporter's sales price is the price at which the goods are eventually transferred in an arm's length transaction, whether from the importer to an independent retailer or directly to the public.

Both purchase price and exporter's sales price are subject to adjustment in order to derive a "fair" United States price for comparison with foreign market value. The adjustments provided in section 1677a(d) are applicable to both purchase price and exporter's sales price. The additional adjustments provided in section 1677a(e) are applicable *only* to exporter's sales price.[9]

On the other side of the scale, foreign market value is also computed on the basis of arm's length transactions by one of three methods:[10] (1) home market sales; (2) third country sales; or (3) constructed value. The home market sales method is preferred. In the absence of such home market sales, the statute provides that either third country sales or constructed value may be used. Foreign market value, computed on the basis of home market sales or third country sales, is subject to adjustment as provided in section 1677(a)(4) to generate an f.o.b. foreign port value.[11]

---

[9] 19 U.S.C. § 1677a(e)(2) provides:

"(e) Additional adjustments to exporter's sales price

"For purposes of this section, the exporter's sales price shall also be adjusted by being reduced by the amount, if any, of—

* * * * * * *

"(2) *expenses generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise,* * * * [.]" (Emphasis supplied.)

[10] 19 U.S.C. § 1677b provides:

"**§ 1677b. Foreign market value.**

"(a) Determination; fictitious market; sales agencies

* * * * * * *

"(1) In general

"The foreign market value of imported merchandise shall be the price, at the time of exportation of such merchandise to the United States—

"(A) at which such or similar merchandise is sold or, in the absence of sales, offered for sale in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade for home consumption, or

"(B) if not so sold or offered for sale for home consumption, or if the administering authority determines that the quantity sold for home consumption is so small in relation to the quantity sold for exportation to countries other than the United States as to form an inadequate basis for comparison, then the price at which so sold or offered for sale for exportation to countries other than the United States,

* * * * * * *

"(2) Use of constructed value

"If the administering authority determines that the foreign market value of imported merchandise cannot be determined under paragraph (1)(A), then, notwithstanding paragraph (1)(B), the foreign market value of the merchandise may be the constructed value of that merchandise, as determined under subsection (e) of this section.

* * * * * * *

"(e) Constructed value

"(1) Determination

"For the purposes of this subtitle, the constructed value of imported merchandise shall be the sum of—

"(A) the cost of materials * * * and of fabrication * * *;

"(B) an amount for general expenses and profit * * *; and

"(C) the cost of * * * placing the merchandise under consideration in condition, packed ready for shipment to the United States.

Thus, the ITA, using either purchase price or exporter's sales price, computes and adjusts the United States price of the merchandise. Additionally, the ITA, on the basis of either home market sales, or third country sales, or constructed value, computes and adjusts the foreign market value of the merchandise. These values, which *should* be on an equivalent basis after adjustment, are then compared and the amount by which foreign market value exceeds United States price is imposed as an additional antidumping duty.

B

The ITA determined that the United States prices of portable electric typewriters from Japan, produced by Brother and Silver, are less than the foreign market values of such or similar typewriters. United States price was based on purchase price or exporter's sale price, as appropriate for any particular sale. Foreign market value was computed on the basis of home market sales by Brother and Silver of similar models for all of the entries subject to the antidumping duty. Brother and Silver received the benefit of a panoply of adjustments to foreign market value,[12] several of which are challenged by Smith-Corona.

III

All of the adjustments challenged by Smith-Corona are adjustments to foreign market value. Specifically, Smith-Corona attacks the validity of two regulations under which several of the adjustments were made as well as the amounts of three of the specific adjustments granted to Brother and Silver.

---

[11] 19 U.S.C. § 1677b(a)(4) provides, in pertinent part:

"(4) Other adjustments

"In determining foreign market value, *if it is established to the satisfaction of the administering authority* that the amount of any difference between the United States price and the foreign market value (or that the fact that the United States price is the same as the foreign market value) is wholly or partly due to—

* * * * * * *

"(B) *other differences in circumstances of sale;* * * *

* * * * * * *

then due allowance shall be made therefor." (Emphasis supplied.)

[12] Home market sales were used to compute foreign market value for both Japanese producers. In the case of Silver, with respect to sales for which United States price was computed on the basis of purchase price, adjustments to foreign market value were made for differences in inland freight, packing costs, physical characteristics of the merchandise and cost of production. With respect to sales for which United States price was based on exporter's sales price, foreign market value was adjusted for differences in inland freight, in the circumstances of sale (advertising, warranty and after sales service, packing costs, and after sales rebates), in commission expenses, in the physical characteristics of the goods, and for the exporter's sales price offset (selling expenses in home market up to amount of selling expenses in United States market). In the case of Brother, with respect to sales for which United States price was computed on the basis of purchase price, adjustments to foreign market value were made for differences in inland freight, in the circumstances of sale (advertising and selling expenses, warranty, rebates, packing costs, and certain direct advertising expenses), and in the physical characteristics of the merchandise. With respect to comparisons based on exporter's sales price, foreign market value was adjusted for differences in inland freight, in the circumstances of sale (after sales rebates, advertising expenses, packing and warranty expenses), in commissions, in the physical characteristics of the merchandise, and for the exporter's sales price offset, 45 Fed. Reg. 53,853 (1980).

In 1980, Commerce promulgated the antidumping duty regulations [13] at issue in this appeal. In order to facilitate adjustments for "other differences in circumstances of sale," under section 1677 (a)(4)(B), Commerce promulgated 19 C.F.R. § 353.15. That regulation sets out specific classes of adjustments [14] and provides criteria for determining the amount of allowances under section 1677b-(a)(4)(B). 19 C.F.R. § 353.15(d) (1980) provides:

> In determining the amount of the reasonable allowances for any differences in circumstances of sale, the Secretary will be guided primarily by the cost of such differences to the seller, but, where appropriate, he may also consider the effect of such differences upon the market value of the merchandise.

Smith-Corona attacks 19 C.F.R. § 353.15(d) on the ground that the regulation establishes a preference for *cost* that is inconsistent with the express requirement of section 1977b (a)(4) that differences in *price* or *value* must be due to differences in circumstances of sale.[15]

The regulation also provides a special adjustment not provided in the statute, the so-called "special rule"—the *exporter's sales price offset:* [16]

> (c) *Special rule.* Notwithstanding the criteria for adjustments for differences in circumstances of sale set forth in paragraphs (a) and (b) of this section, * * * [i]n making comparisons using exporter's sales price, reasonable allowance will be made for all actual selling expenses incurred in the home market up to the amount of the selling expenses incurred in the United States market.

Smith-Corona challenges the exporter's sales price offset as being wholly inconsistent with the adjustments provided in the statute. Smith-Corona argues that the exporter's sales price offset is invalid because it contravenes certain adjustments to exporter's sales price provided in section 1677 (e)(2).

The remaining three challenges are to the amounts of three specific adjustments. With respect to these three specific adjustments to foreign market value, two were based on section 1677(b)(4) providing adjustments for differences in the circumstances of sale. The third challenge is to the amount of adjustments to foreign market value under 19 C.F.R. § 353.16 (1980) for differences in the physical characteristics of the merchandise. Smith-Corona does not attack the validity of either section 1677b(a)(4) or 19 C.F.R. § 353.16 but, rather, it attacks the amount of each adjustment. Brother, Silver, and the United States all support the correctness of the amounts of these three specific adjustments as well as the validity of 19 C.F.R. §§ 353.15, (c) and (d).[17]

---

[13] 19 C.F.R. §§ 353.13-.23 (1980).

[14] 19 C.F.R. §§ 353.15(a), (b) (1980). Among those adjustments are advertising and selling expenses.

[15] *See supra* note 11.

[16] 19 C.F.R. § 353.15(c) (1980).

Thus, to summarize, the issues presented in this appeal are

(1) Whether 19 C.F.R. § 353.15(d), which allows the administering authority to compute allowances for differences in the circumstances of sale on the basis of *cost*, is valid (part IV.A of this opinion);

(2) Whether 19 C.F.R. § 353.15(c), the *exporter's sales price offset*, is valid (part IV.B of this opinion);

(3) Whether it was error to adjust foreign market value for *after sale rebates* as differences in the circumstances of sale (part V.A of this opinion);

(4) Whether it was error to adjust foreign market value for *advertising expenses* as differences in the circumstances of sale (part V.B of this opinion); and

(5) Whether it was error to adjust foreign market value for *accessories and printed materials* as differences in the physical characteristics of the merchandise (part V.C of this opinion).

IV

With respect to the validity of the challenged regulations, the relevant inquiries are whether the regulations are a proper exercise of the Secretary's authority and are reasonable.[18] In determining the reasonableness of the regulations, we are guided by the normal aids of statutory construction: statutory language; legislative history; and legislative purpose.

A

In making adjustments to foreign market value for differences in circumstances of sale, 19 C.F.R. § 353.15(d) provides that the Secretary shall be guided primarily by the *cost* of such differences. Smith-Corona argues that reliance on cost, without any evidence of the effect of cost on price, violates the statute's explicit requirement that price or value differences be caused by differences in the circumstances of sale. The CIT, in a thoughtful and comprehensive opinion, held the regulation valid. In doing so, Judge Newman, writing for the court, relied on the Secretary's wide discretion under section 1677b(a)(4), the economic logic of the assumption that cost is related to price, and the long-standing administrative practice of using cost.

The express language of section 1677b(a)(4) provides that allowances will be made if it is established *to the satisfaction of the Secretary* that the amount of any difference between the United States price and the foreign market value of the merchandise is wholly or partly due to differences in circumstances of sale.[19] The statute does not expressly limit the exercise of the Secretary's authority to determine adjustments, nor does it include precise standards or guidelines to govern the exercise of that authority. Additionally, the statute does not define the term "circumstances of sale" nor does it prescribe any method for determining allowances. Congress has deferred to the Secretary's expertise in this matter.

---

[17] The court is assisted, in its consideration of this appeal, by several amici curiae who have also submitted briefs: (1) Zenith Radio Corp.; and (2) several Japanese manufacturers and importers (Matsushita, Victor, USJVC, Sanyo, Hitachi, Toshiba, Sharp, Mitsubishi, and General). Zenith has adopted a position that substantially supports that taken by the domestic manufacturer, Smith-Corona. Similarly, the Japanese amici curiae substantially support the position taken by Brother, Silver, and the United States.

[18] *See* 5 U.S.C. § 706 (1976); *Zenith Radio Corp.* v. *United States*, 437 U.S. 443, 451 (1978).

The language of the statute, as Smith-Corona and Zenith correctly point out, specifies that adjustments are to be made on the basis of differences in *price* or *value*. This approach is followed consistently throughout the antidumping law. Cost is generally relied upon only when value cannot readily be determined from price.

Antidumping duties are imposed on the basis of differences in value, *not* differences in cost. The importation of foreign merchandise can occur at a price greater than cost, yet still generate liability for an antidumping duty. The language of the statute would impose a duty on a foreign producer who "eats" either costs or profits in the American market relative to the home market. Thus, cost criteria alone will not redress the full margin of dumping to which Congress sought to attach an antidumping duty. Value *must* be considered under the statute.

Yet, the statute does not explicitly forbid reliance on cost. It even encourages the use of cost to fix foreign market value in some limited circumstances.[20] Additionally, the statute does vest broad discretion in the Secretary. Absent a specific provision forbidding cost-based adjustments, we cannot say that the express language of the statute clearly invalidates the challenged regulation, though it does cast shadows upon it.

The legislative history of the Trade Agreements Act of 1979, unfortunately, nowhere expressly addresses the use of cost to establish adjustments for differences in circumstances of sale.[21] The legislative history does, however, reflect general theoretical conflicts in legislative purpose.

Congress sought to afford the domestic manufacturer strong protection against dumping, seeming to indicate that the Secretary should err in favor of protectionism. The legislative history reflects a long felt and understandable congressional distrust of *cost* as a basis for the computation of dumping margins. Dumping is a prime example of unfair competition in which a foreign manufacturer ignores the normal market relationships of cost to price. Hence, cost is subject to manipulation and Congress has recognized its inherent unreliability. The legislative reports on the act also reflect a general dissatisfaction with administration of the prior antidumping law.

---

[19] *See supra* note 11.

[20] Constructed value is one such cost-based criterion. 19 U.S.C. § 1677b(a)(2). The Government seems to rely on this provision as legislative endorsement of the use of cost. We do not believe that it is. Constructed value is merely an attempt to reconstruct foreign market value by any suitable means from the available reliable evidence, not a blanket endorsement of the use of cost. Under § 1677b, although constructed value may be used without regard to the availability of a third country sales price, home market sales are clearly the preferred basis.

[21] S. Rep. No. 249, 96th Cong., 1st Sess. 1, *reprinted in* 1979 U.S. CODE CONG. & AD. NEWS 381; H.R. Rep. No. 317, 96th Cong., 1st Sess. 1.

On the other hand, the Secretary is directed to make a fair and equitable valuation, which may reduce the antidumping margin as a result of downward adjustments to foreign market value. The 1979 act also shortened the time limits governing dumping determinations, mandating greater speed and, consequently, the necessity for using readily available, reliable information in the computation of duties.

No clear legislative intent or purpose emerges from the legislative history with respect to the use of cost. Thus, legislative history and purpose offer little aid in resolving this issue.

Some degree of deference is due the interpretation of the expert authority charged with the enforcement of the satute. The CIT felt that deference should be heightened by the Secretary's long-standing interpretation of the statute and by legislative acquiescence in that interpretation. We are not convinced, however, that the degree of deference accorded the Secretary's interpretation by the CIT was proper.

The Senate report expressly provides that Congress did not intend to express either approval or disapproval of the current regulations or administrative practice.[22] Thus, in terms of acquiescence, the most that can be said is that the Secretary's interpretation is cloaked with the diaphanous veil of a legislative "no comment."

Similarly weak is the argument that the regulation is long standing. The regulation was published in 1976,[23] and thus was hardly contemporaneous with the 1979 enactment of the implementing legislation, section 1677b(a)(4), 3 years *later*.[24] The regulation prior to 1976 did not articulate a preference for cost. It differs from the regulation in effect after 1976 in precisely the area which is in dispute.[25]

This issue distills to the question whether a "causal link" must be established between the differences in circumstances of sale and the differential between United States price and foreign market value. The implicit assumption of 19 C.F.R. § 353.15(d) is that such differences very likely exist where there exist differences in cost. Judge Newman's well-reasoned opinion handles the "causal link" issue well. With the exception of his carrying back the date of the administrative practice reflected in the regulations we agree with his handling of this and all of the issues in this appeal.

---

[22] S. Rep. No. 249, 96th Cong. 1st Sess. 96, *reprinted in* 1979 U.S. CODE CONG. & AD. NEWS 381, 482.

[23] The regulation was originally promulgated at 41 Fed. Reg. 26,204 (1976) and was codified at 19 C.F.R. § 153.10 (1976).

[24] *Cf. Zenith Radio Corp.*, 437 U.S. at 451 (an administrative practice has peculiar weight when it involves a contemporaneous construction of a statute by an agency with responsibility for implementing the statute—deference given 80-year-old interpretation first promulgated within 1 year of passage of the countervailing duty statute).

[25] Prior to 1976, the regulation was based primarily on value (in accordance with the statutory preference for value), cost being relied on only where appropriate—a transposition of those terms in the present form of the regulation:

"(c) *Relation to market value.* In determining the amount of the reasonable allowances for any differences in circumstances of sale, the Secretary will be guided primarily by the effect of such differences upon the *market value* of the merchandise but, where appropriate, may also consider the *cost* of such differences to the seller, as contributing to an estimate of market value." (Emphasis supplied.) 19 C.F.R. § 153.8(c) (1972).

See 540 F. Supp. at 1351.

Although the statutory language places primary reliance on the use of value and price, it gives the Secretary broad discretion in making adjustments. We conclude that the Secretary did not abuse that discretion by relying on the use of cost to make circumstances of sales adjustments.[26] The statute's primary reliance on value is not carried forward by language that would explicitly limit the discretion expressly granted the Secretary or would countermand the manner in which that discretion has been exercised in 19 C.F.R. § 353.15(d). The Secretary may not, however, rely on cost *to the exclusion* of its effect on value. The regulation does not *prohibit* reliance on value, but merely expresses a preference for cost; value may be considered, where appropriate. The Secretary must complete the determination within rigid time limits. The use of cost data may be the only reliable indicia of value.[27] We hold, therefore, that 19 C.F.R. § 353.15(d) is a proper exercise of the Secretary's authority and is reasonable. Thus, 19 C.F.R. § 353.15(d), insofar as it is challenged here, is valid.

The exporter's sales price offset [28] is supported by the Government as a means to redress a perceived unfairness in the computation of foreign market value under the statute. Section 1677a(e)(2) provides for certain adjustments to exporter's sales price (United States price), which adjustments increase the dumping margin. The challenged offset allows adjustments to foreign market value, which offset reduces the margin. Smith-Corona argues that the offset thus renders section 1677a(e)(2) void and is, therefore, invalid.

The statute provides for the adjustment of United States price for certain specified "direct costs." [29] Section 1677a(e), however, provides for the adjustment of only exporter's sales price for certain "indirect costs"—selling expenses.[30] Commerce perceived that

---

[26] We do not hold that the Secretary may blindly rely on cost to the exclusion of its effect on value. Such would clearly violate the statute's primary reliance on value in the computation of antidumping duties, as well as its requirement of a direct relationship. We hold only that, absent evidence that costs do not reflect value, the Secretary may reasonably conclude that cost and value are directly related. Smith-Corona also argues that this would upset the burden of proof on the importer to establish entitlement to adjustments. We cannot agree. The use of cost criteria to satisfy the quantum of evidence required to establish entitlement is reasonable. What-ver the quantum of evidence that would "satisfy" the Secretary, once that evidence is adduced, the "burden" vill be "shifted" in every case. Smith-Corona's remedy lies with Congress. Congress can provide more specific idelines to govern the exercise of the Secretary's discretion; this court cannot.

[27] The ready availability of cost data that can be employed without extensive complex econometric, analysis supports the reasonableness of the Secretary's decision to rely on cost. Cost may be the only *practical* way to administer the statute.

[28] 19 C.F.R. § 353.15(c).

[29] 19 U.S.C. § 1677a(d).

[30] 19 U.S.C. § 1677a(e) provides, in pertinent part:

"(e) Additional adjustments to exporter's sales price.

"For purposes of this section, the exporter's sales price shall also be adjusted by being reduced by the amount, if any, of—

Continued

the United States price based on exporter's sales price was distorted by the adjustment for indirect costs and, accordingly, promulgated 19 C.F.R. § 353.15(c) to afford a similar adjustment to foreign market value.[31] Smith-Corona contends that the offset establishes two different fair value comparisons as a function of the basis for the computation of United States price. This allegedly contravenes the use of only *one* fair value by the statute. Arguably, regardless of the basis of United States price, purchase price or exporter's sales price, the same antidumping margin should result. Smith-Corona also argues that the statute establishes the fair value comparison on an "f.o.b. foreign port" price basis, and since the offset perturbs this result, the offset is invalid.

The statute does refer repeatedly to foreign market value, as if there were only one foreign market value under consideration. Yet, the statute does not expressly foreclose the use of two different United States price-foreign market value comparisons. Given the two methods of computation of United States price, it is apparent that the final United States price may be affected by the basis for the computation. United States price computed on the basis of exporter's sales price may result in an f.o.b. foreign port price *less* specified selling expenses. Computed on the basis of purchase price, United States price will generally be an f.o.b. foreign port price, *including* selling expenses. Given the differences in adjustments, it is apparent that the statute does not compel United States price to be the same irrespective of the method of computation.

In view of the statutory requirement of a direct relationship between circumstances of sale and the relevant transaction, the statutory deduction of selling expense from exporter's sales price, section 1677a(e), is somewhat anomalous. The absence of any such statutory adjustment to foreign market value, however, is entirely consistent with the statute's reliance in "direct costs." Thus, the challenged offset is inconsistent with the general requirement of a direct relation. It shares that inconsistency, however, with the statutory adjustment that it counteracts.

One of the goals of the statute is to guarantee that the administering authority makes the fair value comparison on a fair basis—comparing apples with apples. The offset appears to generate two fair value comparisons, apples with apples (purchase price) and oranges with oranges (exporter's sales price). The difference between United States price generated from purchase price and from exporter's sales price was created by the statute. Were it not for the exporter's sales price offset, comparisons based on purchase price

---

[30] *Continued*

* * * * * * *

"(2) *expenses generally incurred by or for the account of the exporter in the United States in selling identical or substantially identical merchandise,* * * * [.]" (Emphasis supplied.)

[31] 19 C.F.R. § 353.15(c) (1980) provides:.

"(c) *Special rule.* Notwithstanding the criteria for adjustments for differences in circumstances of sale set forth in paragraphs (a) and (b) of this section, * * * [i]n making comparisons using *exporter's sales price, reasonable allowance will be made for all actual selling expenses* incurred in the home market up to the amount of the selling expenses incurred in the United States market." (Emphasis supplied.)

would be fair, yet comparisons based on exporter's sales price would be skewed in favor of a higher dumping margin. We do not believe that the statute requires the Secretary to compare both apples and oranges with only apples. Rather, it expressly requires a fair comparison. The offset is an attempt to achieve such a comparison.

As was the case with subsection (d), the legislative history and the legislative purpose are ambiguous on this question. The offset issue was not addressed substantively in the Trade Agreements Act of 1979. The legislative history does contain general statements to the effect that the Secretary should be both firm and fair. Yet, these generalities are not helpful in determining the validity of the offset.

The Secretary's interpretation is entitled to consideration, but here again, we cannot agree with the CIT that the Secretary's interpretation is entitled to heightened deference by virtue of either the long-standing application of that regulation or legislative acquiescence. The offset was originally published in 1976.[32] It was criticized by congressional committees and internally in the Commerce Department as being inconsistent with the statute's insistence on a direct relationship to the sales under consideration. Although Congress made no move against the offset, neither did it endorse it in the Trade Agreements Act of 1979.

The statutory language, therefore, is the only compelling evidence of record regarding the validity of the offset. Although the statute expressly requires a direct relationship between the differences in circumstances of sale and adjustments to foreign market value, we cannot conclude that the administering authority acted either beyond its authority or unreasonably in promulgating the offset. The offset does permit negation of one specific statutory adjustment of exporter's sales price, but does so to achieve a broader statutory purpose otherwise frustrated because of the alternative statutory methods of computing United States price.

The main problem with the offset is that it is not based on directly related costs, nor is it based on *differences* in the circumstances of sale but, rather, on similarities. Yet, these limitations are tempered by the very structure of the fair value computation under the statute. If the statute is skewed by the offset it is because the Secretary, in constructing a fair comparison, has erected the offset on a foundation that was already slightly askew. In view of the discretion accorded the Secretary under the statute to make adjustments to foreign market value, we conclude that the exporter's sales price offset, 19 C.F.R. § 353.15(c) is a proper and reasonable exercise of the Secretary's authority to administer the statute fairly. Thus, insofar as it is challenged here, 19 C.F.R. § 353.15(c) is valid.

---

[32] The offset was originally published at 41 Fed. Reg. 26,204 (1976) and was codified at 19 C.F.R. § 153.10-(b) (1976).

V

In terms of the amounts of the specific adjustments for differences in circumstances of sales and in the physical characteristics of the merchandise, the question is whether the adjustments were made in accordance with the statute and implementing regulations and whether the adjustments are supported by substantial evidence.[33]

The ITA made adjustments, for after-sale rebates, to the foreign market value of portable electric typewriters imported into the United States by both Brother and Silver. Rebates were given on specific models as well as on total sales. Smith-Corona challenges only those adjustments for rebates based on total sales—for which some apportionment computation was required.

Silver granted volume rebates to Japanese customers for purchases of targeted quantities of certain Silver typewriters. Commerce computed the adjustments on the basis of expense to Silver. Silver granted rebates on sales of portable electric typewriters and other merchandise, necessitating apportionment of the rebate expense. Commerce initially computed the ratio of the total sales amount of portable electric typewriters to the total sales amount of all merchandise subject to the rebate program. This ratio, multiplied by the total amount of rebate paid, yields the total amount of rebate paid for portable electric typewriter sales. Commerce then computed the ratio of the sales amount of each model of portable electric typewriter to the total sales of all portable electric typewriters and multiplied this figure by the total amount of rebate paid for portable electric typewriters to yield the yen amount of rebate paid for each model of portable electric typewriter. That figure, divided by the quantity of each model sold, yields the rebate amount per unit allowed as an adjustment to foreign market value.

Two of Brother's rebate programs are challenged: periodic and monthly. With respect to a portion of the recipients of the monthly rebate, the rebate was a fixed amount per unit, determined on the basis of the total number of all typewriters purchased. The remaining monthly rebates, based on a percentage of the total volume of portable electric typewriter sales, were computed by apportioning the expense among the various models sold and dividing by the quantity of each model sold to yield a per unit amount. With respect to periodic rebates, the total fixed yen amount of the rebate was divided by the total number of typewriters sold subject to the rebate to yield a per unit amount. Thus, the rebates were calculated directly from actual sales figures and from the total amount of rebate paid.

Smith-Corona challenges these specific rebates as not directly related to the sales under consideration because they were based on total sales. Allegedly, the rebates are not identified with specific sales and are not properly quantifiable and, therefore, not properly subject to adjustment.

---

[33] 5 U.S.C. § 706.

The statute requires that the adjustment be for differences in circumstances of sales. Brother and Silver both offer the rebate in Japan and not in America. Thus, the rebates constitute differences that may be adjustable. The rebates based on total sales were apportioned, as described above, in an attempt to correlate the rebates with the appropriate sales of portable electric typewriters within the pool of merchandise upon which the rebates were based. Relying on *F. W. Myers & Co.* v. *United States,*[34] Smith-Corona alleges that this apportionment is not adequate to establish a direct relationship to the sales under consideration.

In *Myers,* the Customs Court held that differences in circumstances of sale must have a reasonably direct relationship to the sales under consideration,[35] and that value determinations must be based on proof of *actual* costs not on estimates, approximations, or averages.[36] While *Myers* is not controlling here, we note that the adjustments nonetheless satisfy both criteria.

The rebates were actually paid on the sales under consideration. The effective cost to the manufacturer of the specific transactions subject to the rebates was increased by the amount of the rebates. More importantly, the apportionment of rebate cost was made on the basis of actual cost and sales figures. Despite the necessity of apportionment calculations to unravel the rebate transactions, the cost of the rebates can be directly correlated with specific merchandise using verified cost and sales information. While it would be simpler to make adjustments for a more direct rebate scheme, the necessity to undertake a straightforward mathematical analysis on the basis of verified, actual cost and sales data does not deprive these rebates of their direct relationship to the sales under consideration.

We conclude therefore that, in allowing these adjustments, the ITA acted within the framework of the statute and regulations and that the adjustments were based on substantial evidence.

B

Commerce also made certain adjustments to foreign market value, under 19 C.F.R. § 353.15(b), for certain "direct" advertising expenses incurred by Brother in the home market. The ITA allowed adjustments for 12 advertisements financed by Brother and aimed at the ultimate consumer. Some of these ads were for multiple products or involved a commemorative announcement. Commerce considered the adjustments to be for direct advertising expenses that were attributable to a later sale by a purchaser.

---

[34] *F. W. Myers & Co.* v. *United States,* 376 F. Supp. 860 (Cust. Ct. 1974).

[35] *Id.* at 872.

[36] *Id.* at 873.

Smith-Corona challenges the adjustment for multiple product advertising and for institutional advertising as violative of the specific limitations of 19 C.F.R. § 353.15(b).[37] Smith-Corona argues that the challenged advertisements did not constitute the assumption by a seller of the purchaser's costs and were not attributable to a later sale of the merchandise to a purchaser. Additionally, it is alleged that the lead time involved in supplying the demand generated by the ads negates the direct relationship of the advertisements to the relevant sales.

Commerce allowed only a portion of the expense for the challenged advertisements based on its apportionment of these expenses to sales of portable electric typewriters. While the challenged ads were not exclusively directed to the relevant merchandise, a portion of each advertising effort was. In a purely metaphysical sense, Smith-Corona is correct in that the ad expense cannot be directly correlated with specific sales. Yet, the statute does not deal in imponderables.

That portion of the advertising that featured portable electric typewriters was related to the expense of selling that merchandise. The presence of multiple products or institutional advertising in the same advertisement does not deprive the relevant portion of the advertisement of its direct relationship to the relevant sales.

Commerce accepted the direct relationship of the advertising expenses to the relevant sales without requiring evidence of the lead time involved in placing orders to meet the additional demand generated by the advertising. The statute establishes that the relationship between the difference in circumstances of sale and the particular sale be established to the *satisfaction* of the Secretary. There is no evidence of record to refute the Secretary's assumption. Thus, we cannot say that the Secretary abused his discretion in this regard. Nor can we say that the Secretary acted improperly in considering that quantum of evidence to be adequate. In the absence of evidence to the contrary, the Secretary could reasonably conclude that the advertising expense was related to sales during the relevant period. Thus, we must uphold the Secretary.

The ITA merely attempted to identify and isolate that portion of advertising expense that was properly adjustable. These direct expenses are differences in the circumstances of sale and, on the basis of the record before us, the direct relationship requirement of the statute and of the regulation has been satisfied.[38] The ITA apportioned the advertising expense on the basis of actual, verified cost data. We feel that this was entirely reasonable. We conclude, therefore, that the ITA acted within the framework of the statute and regulations and that the adjustments to foreign market value for Brother's "direct" advertising expense were supported by substantial evidence.

---

[37] 19 C.F.R § 353.15(b) (1980) provides, in pertinent part:

"§ 353.15 Differences in circumstances of sale.

* * * * * * *

"(b) *Examples.* Examples of differences in circumstances of sale for which reasonable allowances generally will be made are those involving * * * *assumption by a seller of a purchaser's advertising or other selling costs.* * * * Allowances generally will not be made for differences in advertising and other selling costs of a seller, unless such costs are *attributable to a later sale of the merchandise by a purchaser.*" (Emphasis supplied.)

[38] 19 U.S.C. § 1677b(a)(4)(B); 19 C.F.R. § 353.15(a).

The ITA also made adjustments to foreign market value for differences in the physical characteristics of the goods under 19 C.F.R. 353.16.[39] Certain allowances were based on accessories and printed materials furnished with the merchandise by Brother. Portable electric typewriters sold in Japan were accompanied by spare typewriter ribbons and a pamphlet including a text on how to type. The merchandise sold for export to America consisted of the typewriter, without accessories, and with a pamphlet that did not include a typing instruction text.

Smith-Corona argues that the definition of the subject "merchandise" should be limited to portable electric typewriters. Consequently, differences in accessories or the pamphlet would not constitute differences in the physical characteristics of the merchandise.

The ITA has defined the term differently, however, and our inquiry is at an end if that interpretation is reasonable. The statute attaches significance to differences in *value*. Accessories included in sales to one market *could* enhance the value of the merchandise in that market relative to the value in the market not provided with those accessories. There is no evidence of record tending to show that value was not enhanced. It is, therefore, reasonable for the ITA to make adjustments on the basis of those features as physical characteristics of the merchandise. We hold that the ITA acted within the framework of the statute and regulations and that the allowances for differences in the physical characteristics of the merchandise on the basis of accessories provided with the principal goods were supported by substantial evidence.

VI

Our review of the statute reveals tremendous deference to the expertise of the Secretary of Commerce in administering the antidumping law. We find no specific limitation in the statute, nor do we find any evidence of record, that would compel reversal of the ITA's determinations in this proceeding. Insofar as they are challenged here, 19 C.F.R. §§ 353.15 (c) and (d) constitute a proper exercise of the Secretary's authority under the antidumping law and are reasonable. Additionally, in determining the amounts of the three specific adjustments challenged by Smith-Corona, the ITA acted within the framework of the statute and regulations. The amounts of these specific adjustments are supported by substantial evidence. Accordingly, we *affirm* the judgment of the U.S. Court of International Trade sustaining the August 13, 1980, Early Determination of Antidumping Duties.

---

[39] 19 C.F.R. § 353.16 (1980) provides:

"**§ 353.16 Differences in physical characteristics.**

"In comparing the United States price with the selling price in the home market, or for exportation to countries other than the United States in the case of similar merchandise, *due allowance shall be made for differences in the physical characteristics of the merchandise* in the markets being compared. In this regard, the Secretary will be guided primarily by the differences in *cost* of production, to the extent that it is established to his satisfaction that the amount of any price differential is wholly or partly due to such differences, but, when appropriate, the effect of such differences upon the market value of the merchandise may also be considered. In the case of merchandise which does not lend itself to comparison with other merchandise for the purpose of this section, any method reasonably calculated to reflect the impact on cost or value of any differences in the merchandise under consideration may be used. Differences in costs of producing merchandise with identical physical characteristics as end products will not be considered appropriate adjustments." (Emphasis supplied.)

DAW INDUSTRIES, INC., APPELLANT *v.* THE UNITED STATES, APPELLEE

Appeal No. 83-833

714 F.2d 1140

(Decided: August 9, 1983)

Wesley K. Caine, of Washington, D.C., argued for appellant. With him on the brief was *Donald L. E. Ritger*.

Barbara M. Epstein, of New York, New York, argued for appellee. With her on the brief were *J. Paul McGrath*, Assistant Attorney General *David M. Cohen*, Director and *Joseph I. Liebman*, Attorney in Charge, Trade Field Office.

Before BALDWIN, MILLER, and SMITH, *Circuit Judges.*

SMITH, *Circuit Judge.*

Appellant Daw Industries (Daw) appeals the decision of the Court of International Trade (C.I.T.)[1] which upheld the classification of the imported merchandise as women's wearing apparel, Items 382.78 and 392.58, T.S.U.S.,[2] instead of prosthetic articles, Item 709.58, T.S.U.S. We reverse.

I

The imported merchandise consists of two items—a nylon sheath worn on the stump of an amputee's residual limb and a wool "sock" that fits over the sheath—which are used to improve the fit between an amputee's residual limb and the socket of an artificial limb. While it is possible to wear an artificial limb without the sheath and sock, the evidence is uncontroverted that their use has many beneficial effects for the wearer. In particular, the sheath and sock reduce skin diseases of the residual limb by permitting perspiration to evaporate from the residual limb even while placed in the socket of the artificial limb. Also, the sheath and sock cushion the torque and piston action caused by, for example, walking, which the residual limb is not naturally designed to withstand.

---

[1] *Daw Indus., Inc.* v. *United States*, 561 F. Supp. 433 (C.I.T. 1983).

[2] Tariff Schedules of the United States, 19 U.S.C. § 1202 (1976).

Upon importation, the Customs Service classified the merchandise as other women's, girls', or infants' wearing the apparel, Item 382.78, T.S.U.S. (knit man-made fibers), for the sheaths, and Item 382.58, T.S.U.S. (wool), for the socks. Daw took the position that the sheaths and socks should both be classified under Item 709.57, T.S.U.S., which reads:

> Orthopedic appliances, surgical belts, trusses, and similar articles; *artificial limbs, eyes, teeth, and other prosthetic articles;* splints and other fracture appliances:
>
> * * * * * * *
>
> Other * * * . [Emphasis supplied.]

Specifically, Daw claims that the sheaths and socks are "other prosthetic articles" either in the sense that they are themselves *prostheses*, that is, actual replacements for a body part, or, alternatively, that they are *prosthetic* articles, in that they are used in conjunction with and relate to prostheses.

The C.I.T. upheld the Service's classification. It held that the sheaths and socks are not prostheses; that as such they are not other prosthetic articles because that term only refers to other prostheses; and that they were correctly classified as women's wearing apparel. We agree with the C.I.T. on the first point but reverse on the last two.

II

A

The first question we must address is whether the merchandise is a prosthesis, and our immediate task is to determine the meaning of prosthesis.[3] This is a question of law. We agree with the C.I.T. that a prosthesis is an artificial substitute that replaces a missing body part.[4] While obviously a prosthesis need not perform all of the functions of the original part—an artificial eye, for example, cannot see—the prosthesis must provide some of the functions of the natural member which would otherwise be entirely non-existent. In addition, a prosthesis will ordinarily resemble (albeit roughly) the natural part it replaces.[5]

Daw argues that the sheath and sock combination replaces the skin and plantar surface (the sole) of the foot. The skin and the sheath both pass perspiration away from the body, which is necessary for maintaining body temperature. The sock, like the fleshy plantar surface of the foot, cushions the twisting and pounding caused by walking.

---

[3] The term "prosthesis" is not actually used in Item 709.57, T.S.U.S., but both parties and the C.I.T. agree that Item 709.57 includes at a minimum any prosthesis (except as elsewhere provided for).

[4] *Daw Indus.*, 561 F. Supp. at 439–40. *See* Dorland's Illustrated Medical Dictionary (26th ed. 1981); *id.* (24th ed. 1965); *id.* (22d ed. 1951); Taber's Cyclopedic Medical Dictionary (11th ed. 1970).

[5] *See* United States Tariff Comm'n, Summaries of Trade and Tariff Information, Sched. 7, vol. 2, at 87 (1969).

Whether particular items fit the definition of prosthesis adopted above is a question of fact. Therefore, the trial court's finding that the sheaths and socks are not prostheses will be reversed on appeal only if that finding is clearly erroneous.[6] We find no clear error in the finding of the C.I.T. that, while they aid the body in these ways, the sheath and sock do not *replace* body parts. The trial court's reasoning is extremely sketchy on this point, but that in itself is no basis for overturning the decision. The amputee's body, without the sheath or sock, is capable of perspiring and of absorbing the mechanical pressures of using the artificial limb[7] and the merchandise only *improves* that pre-existing ability. The magnitude of the improvement does not alter the essential point that the merchandise improves rather than replaces. Upon review of the record, therefore, we affirm the finding that the sheath and sock are not prostheses.

B

The second question is whether, nevertheless, the items are other prosthetic articles. The trial court's finding on this point—that the sheaths and socks are not other prosthetic articles—was based on its conclusion that the term "other prosthetic articles" only includes other prostheses. The determination of the breadth of meaning is a conclusion of law and thus is not entitled to the deference we exercised above.

We believe that "other prosthetic articles" has a broader meaning than the C.I.T. gave it. Our lodestar is congressional intent and, in the absence of a specific definition, we begin with common meaning.[8] The standard dictionary meaning of "prosthetic" comprises, as one would expect of an adjective, more than prostheses themselves: it refers to (in this case) articles that relate to or pertain to prostheses. While obviously we would not want to stretch that relationship too far, it includes at least items intimately or exclusively used, and intended to be used, with prostheses.

It should be evident that such a definition encompasses these sheaths and socks. They are designed for use with prostheses; they are used specifically to overcome certain problems with prostheses; and they have, as far as the record shows, no other use. We also note that domestic manufacturers of sheaths and socks also refer to their merchandise as "prosthetic." This is strongly indicative of the common usage.

---

[6] *C. Itoh & Co.* v. *United States*, 678 F.2d 218, 220 (CCPA 1982); *see also Pullman-Standard* v. *Swint*, 456 U.S. 273, 287–88 (1982) (in Fed. R. Civ. P. 52(a), the "clearly erroneous" standard applies to *all* questions of fact).

[7] The plantar surface analogy is further weakened by the fact that the sheaths and socks are also used for artificial arms.

[8] *United States* v. *Rembrandt Elecs., Inc.*, 542 F. 2d 1154, 1156 (CCPA 1976).

The C.I.T. based its contrary conclusion largely on the statement in the 1969 Summaries of Trade and Tariff Information that "[s]uch replacement parts usually resemble the real ones in appearance." [9] This was error. First, 1969 Summaries of practice under the Tariff Schedules enacted in 1962 are, as the CCPA has recognized, poor indications of the congressional intent in enacting the Schedules.[10] Second, the quoted statement merely shows that prostheses per se resemble natural parts. Neither it nor the entire passage is inconsistent with the presence of a broad "basket" provision in Item 709.57. The contrary is the case: the Tariff Classification Study—which *preceded* enactment of the Tariff Schedules—describes Item 709.57 as a general provision designed to simplify classification of items previously scattered throughout the Tariff Schedules.[11] We therefore cannot agree that the 1969 Summaries, even if they do suggest a limited meaning, conclude the issue of legislative intent.

The Government's agrument based on the Brussels Nomenclature of 1955 is likewise unconvincing. The Government argues that since the Brussels Nomenclature uses the expression "* * * and other artificial parts of the body,[12] that must be what "other prosthetic devices" in the analogous T.S.U.S. provision means. This reasoning assumes its conclusion that both terms mean the same thing. In fact, Congress used a term different from the Brussels Nomenclature, and this virtually obviates the Brussels Nomenclature's usefulness as legislative history on this issue.[13]

The congressional choice of words has a further and more significant consequence. With the example of the Brussels Nomenclature before it, Congress' choice of the different term suggests an intentional difference in meaning. There is no reason to assume that Congress *said* "other prosthetic articles"—which has a relatively broad common meaning—when it *meant* "other artificial body parts" or "other prostheses" both of which latter terms were equally available for use in the Tariff Schedules. We conclude that "other prosthetic articles" describes the subject sheaths and socks.

C

Our final task is to determine whether the original classification of the merchandise as wearing apparel was correct.

The C.I.T. and the parties concentrated their discussions of this issue on case law which maintains that some articles that are worn may nevertheless not be wearing apparel due to their special uses and characteristics.[14] *Admiral Craft Equipment* developed the standard that items are not wearing apparel that go "far beyond that of general wearing apparel."[15] While it is abundantly clear that the sheaths and socks are used exclusively with prostheses and that they are useless otherwise, it is not entirely clear that they provide significantly more, or essentially different, protection than analogous articles of clothing. Virtually all wearing apparel is to a degree (often a high degree) designed and worn to provide comfort and protection, often for very specific situations. The sheaths and socks differ incrementally rather than in kind from other wearing apparel. While the increment may become so very large in some cases that the article is no longer wearing apparel, this is not such a case.[16] In sum, were these the only relevant considerations the presumption of correctness of the Customs' classification [17] would probably require affirmance.

---

[9] *See supra* note 5.

[10] *Volkswagen of America, Inc.* v. *United States*, 340 F. Supp. 983, 989 (Cust. Ct. 1972), *aff'd*, 494 F. 2d 703, 704 (CCPA 1974) (adopting Customs Court opinion).

[11] United States Tariff Comm'n, Tariff Classification Study, Sched. 7, at 147 (1960).

[12] Brussels Nomenclature, Heading 90.19 and Explanatory Notes (1955).

[13] *See Schwarz* v. *United States*, 417 F. 2d 1391, 1394 (CCPA 1969); *M. H. Garvey Co.* v. *United States*, 65 Cust. Ct. 434, 443–44, C.D. 4119 (1970).

However, that is not the case. Even if the merchandise can be described as wearing apparel, it can also be described as prosthetic articles. General Interpretive Headnote 10(c), T.S.U.S., commands that, of the two possibilities, the more specific must govern. Comparing "provisions of coordinate or equal status,"[18] we find that the Service's classification is under Schedule 3, Part 6, Subpart F, "Other women's, girls', or infants' wearing apparel, not ornamented."[19] The coordinate provision of the classification urged by Daw is the heading in Schedule 7, Part 2, Subpart B, quoted at the outset, which includes "artificial limbs, eyes, teeth, and other prosthetic articles." The latter provision is the more specific. The merchandise's specificity of purpose and exclusivity of use, emphasized throughout, compel the conclusion that "other prosthetic articles" describes it far more specifically than does "wearing apparel." We therefore hold that the imported merchandise was not properly classifiable as wearing apparel.

In conclusion, we hold that the sheaths and socks are not prostheses but that they are other prosthetic articles. Further, even if they are describable as wearing apparel they are relatively more specifically described, and are therefore classifiable as, other prosthetic articles. The decision of the Court of International Trade is *reversed.*

---

[14] *Admiral Craft Equip. Corp.* v. *United States*, 82 Cust. Ct. 162, C.D. 4796 (1979) (lobster bibs are wearing apparel); *Pompeo* v. *United States*, 40 Cust. Ct. 362, C.D. 2006 (1958) ((crash helmets not wearing apparel); *Best* v. *United States*, 1 Ct. Cust. App. 49, T.D. 31,009 (1910) (ear caps for prevention of abnormal ear growth not wearing apparel).

[15] *Admiral Craft Equip.*, 82 Cust. Ct. at 163.

[16] An ice skater, for example, might wear a similar combination of thin nylon sock and thick woolen sock to improve fit, to protect the foot, and to keep perspiration away from the skin.

[17] 28 U.S.C. § 2639(a)(1) (Supp. V 1981); *United States* v. *New York Merchandise Co.*, 435 F.2d 1315, 1318 (CCPA 1970).

[18] General Interpretive Rule 10(c)(ii), T.S.U.S.

[19] Headnote 1 of Schedule 3, Part 6, Subpart F, describes Subpart F as "wearing apparel, not specifically provided for, of textile materials."

THE UNITED STATES, UNITED STATES CUSTOMS SERVICE, BENJAMIN C. JEFFERSON, PETER NOONAN and MELVIN MINSKY, APPELLANTS/CROSS-APPELLEES *v.* BAR BEA TRUCK LEASING CO., INC., BAR-MAR WAREHOUSE CO., INC., APPELLEES/CROSS-APPELLANTS

Appeal Nos. 82-36/83-515

713 F.2d 1563

(Decided: August 11, 1983)

John J. Mahon, of New York, New York, argued for appellants. With him on the briefs were *J. Paul McGrath,* Assistant Attorney General, *David M. Cohen,* Director, *Joseph I. Liebman,* Attorney in Charge and *Saul Davis.*

Frederic J. Gross, of Haddonfield, New Jersey, argued for appellee.

Before MARKEY, *Chief Judge,* FRIEDMAN and KASHIWA, *Circuit Judges.*

Markey, *Chief Judge.*

The government appeals from that part of a judgment of the United States Court of International Trade (CIT) holding that Bar-Mar Warehouse Co., Inc. (Corporation II) is the "de facto" holder of customhouse license 1777 (the license) issued to Bar-Mar Trucking Co., Inc. (Corporation I), and enjoining the government from nullifying the license.

Corporation II and Bar Bea Truck Leasing Co., Inc. (Corporation III) cross-appeal from that part of the judgment enjoining the latter from operating under the license, and urge that the CIT has no jurisdiction under 28 U.S.C. § 1581(i)(4) over cartmen's license disputes.

We reverse in part and affirm in part.

BACKGROUND

19 U.S.C. § 1565 and 19 C.F.R. §§ 112 et seq. govern issuance and use of cartmen's licenses and define a statutory and regulatory scheme by which the Customs Services (Customs) assures the importing public that those entities operating as cartmen to transport merchandise within the limits of a port have been licensed by appropriate authorities and that an investigation of their character and fitness to operate has been conducted. The regulations require that cartmen be bonded so as to protect importers against any loss of, or damage to, the merchandise being carted, § 112.22, and that they annually furnish to Customs a current listing of their officers, members or employees, § 112.29 so that Customs is aware of changes which may bear on the cartsman's continued fitness. The regulations provide further assurances to importers by directing that a license be suspended or revoked because of improper conduct of the license holder, e.g., the holder fraudulently obtained the license, was convicted of a felony or misdemeanor involving theft,

was negligent or dishonest in the conduct of his business, or allowed the license to be used by another. § 112.30.

On February 7, 1966, Customs issued the license to Corporation I, a New Jersey corporation engaged in cartage of cargo. The necessary bond was provided by International Fidelity Insurance Co. That bond was cancelled on January 12, 1968. The record indicates that Corporation I went out of business. On January 20, 1969, International Fidelity issued a new bond on behalf of and at the request of Corporation II, a separate corporation controlled by some of the same principals.

The officers of Corporation I had been Anthony Gallagher (Gallagher), president; Joseph Castagna, vice-president and treasurer; and Barbara Gallagher, secretary. The officers of Corporation II were Gallagher and Barbara Gallagher, president and vice-president respectively. Gallagher testified that Corporation II was a separate corporation and was not merely a change in name of Corporation I. Though the principals in control do not appear to have been the same, Corporation II asserted that Customs employees had said that one license could be issued to separate corporations controlled by the same principals.

During the 13 years between 1969 and 1982, Corporation II conducted its cartage business under the license. During that time, Customs employees accepted correspondence from Corporation II relating to the license and directed correspondence concerning annual updating of the license documents to Corporation II.

For at least the last six of those 13 years, Corporation III, controlled by Gallagher, was also using the license. When Corporation III requested its own license in April 1977, Customs indicated that the process would entail an investigation and would take time. Corporation III did not file a license application but continued its operation.

On March 22, 1982, Customs notified Corporation II that the license was null and void and demanded the return of the license and related documents. Customs also seized a truck Corporation III was operating purportedly under the license. Customs, apparently still under the impression that the license had been issued to Corporation II, based its nullification notice on the repeal of that corporation's charter by New Jersey for non-payment of that state's corporate franchise taxes. Upon notice of Customs' action, Corporation II paid the arrearages in franchise taxes and its corporate charter was reinstated retroactively by the state.

On March 24, 1982, two days after Customs' nullification of the license, Corporation III filed an application for its own customhouse license. That application was denied by Customs.

Because Customs refused to grant Corporation II a hearing or to honor the New Jersey reinstatement of its corporate charter, Corporations II and III filed this action in the United States District Court for the District of New Jersey, seeking declaratory and injunctive relief, return of the seized truck, and compensatory and punitive damages. The district court transferred the entire case to the CIT on April 28, 1982.

In an opinion dated August 11, 1982, the CIT held that Corporation II was the "de facto" holder of the license, relying on Customs' long recognition and treatment of that corporation as the licensee and on Customs' maintenance of the file relating to the license in that corporation's name. The court also determined that Customs' basis for nullification, i.e., the revocation of the corporate charter, was not valid once the charter was reinstated because under New Jersey law reinstatement is retroactive and validates all acts taken by the corporation while its charter was void. The court therefore enjoined the government from taking any further action to nullify the license on the basis of the charter revocation.

Respecting Corporation III, the court denied declaratory and injunctive relief in all respects, and permanently enjoined that corporation from operating under the license. The court severed certain tort claims and transferred them back to the district court.

ISSUES

(1) Whether the CIT has jurisdiction over cartman's license disputes under 28 U.S.C. § 1581(i)(4).

(2) Whether the CIT erred in holding that Corporation II is the "de facto" license holder of the license and in enjoining the government from nullifying the license.

(3) Whether the CIT erred in enjoining Corporation III's use of the license.

OPINION

(1) Jurisdiction

The CIT held in *Di Jub Leasing Corp.* v. *United States,* 505 F. Supp. 1113 (C.I.T. 1980) that disputes involving revocation of a cartman's license are within its exclusive jurisdiction under 28 U.S.C. §§ 1581(i) (1) and (4): [1]

> [T]he present action contesting the revocation of Di Jub's cartman license is within this Court's exclusive jurisdiction under 28 U.S.C. § 1581(i) (1) and (4) because the revocation of a cartman's license * * * is so intertwined with and directly related to the *administration and enforcement* of the laws providing for revenue from imports. I have no doubt that, by the re-

---

[1] 28 U.S.C. 1581(i)(1) and (4) provide that:

(i) In addition to the jurisdiction conferred on the Court of International Trade by subsections (a)-(h) of this section and subject to the exception set forth in subsection (j) of this section, the Court of International Trade shall have exclusive jurisdiction of any civil action commenced against the United States, its agencies, or its officers, that arises out of any law of the United States providing for

(1) Revenue from imports or tonnage;

* * * * * * *

(4) Administration and enforcement with respect to the matters referred to in paragraphs (1)-(3) of this subsection and subsections (a)-(h) of this section.

> sidual grant of jurisdictional authority in § 1581(i), Congress intended to assure comprehensive review in this Court of a broad spectrum of administrative actions arising out of our international trade laws, including those laws concerning the suspension or revocation of various customs licenses. Were the opposite true, it would frustrate a major Congressional goal of the Customs Courts Act of 1980 to "eliminate the confusion which currently exists as to the demarcation between the jurisdiction of the district courts and the Court of International Trade." H.R. Rep. No. 96–1235, at 47, U.S. Code Cong. & Admin. News 1980, p. 7118. [Emphasis in original]

Id. at 1117.

Corporations II and III say *Di Jub* was wrongly decided and that the cartman's license revocation dispute should be decided by the district court. We find no reason, however, to disturb the construction of 28 U.S.C. §§ 1581(i) (1) and (4) adopted in *Di Jub* and applied here by the CIT.

That Congress explicitly gave exclusive jurisdiction to the CIT over customhouse broker's license disputes in § 1581(g), but made no similar explicit grant respecting cartman's license disputes, does not itself indicate a congressional intent to exclude the latter from the court's jurisdiction. The corporations point to no portion of the legislative history of the Customs Court Act of 1980 suggesting that Congress so intended. On the contrary, as the CIT noted in rejecting a substantially identical argument in *Di Jub:*

> [T]he Judiciary Committee commented (H.R.Rep.No.96–1235, 46 U.S. Code Cong. & Admin. News 1980, p. 7116):
>
> * * * In keeping with the *underlying policy of this legislation [H.R. 7540] to establish a uniformity of jurisdiction of civil actions involving the tariff and international trade laws,* the Committee believes it is appropriate to repose jurisdiction over these cases [customhouse broker's licenses] in the Court of International Trade. * * * [Emphasis added.]
>
> The rationale expressed above by the House Committee on the Judiciary for reposing jurisdiction in the Court of International Trade of actions involving customhouse brokers' licenses is equally apposite to actions contesting the revocation of a cartman's license.

Id. at 1118–9.

We hold, therefore, that the CIT has jurisdiction over cartman's license disputes.

(2) "De Facto" License

Under the applicable statutory and regulatory scheme, the district director of Customs has exclusive authority to issue and revoke cartman's licenses. 19 U.S.C. § 1565 and 19 C.F.R. §§ 112.21, 112.24 and 112.30. That authority is in turn circumscribed by specific requirements that must be met by applicants for cartman's licenses. 19 C.F.R. § 112.22. Under the statutory and regulatory scheme, therefore, there can be no such thing as a "de facto" license, and the concept that one may acquire that status by long continued use of the license of another would tend to undermine the protective intent of the statute and regulations.

It is undisputed that the license was issued to Corporation I, that Corporation II never applied for a license and was never issued a license.

That Customs employees accepted documents relating to the license from Corporation II, in the mistaken belief that it was the license holder (a mistake not surprising when the similarity of corporate names employed by the one who submitted the documents is noted), cannot constitute the grant of a license to Corporation II, or a transfer to it of the license, under the statute and regulations. No Customs employee had authority to issue a license and there is no evidence that the district director delegated that authority to any such employee. Corporation II's assertion that the director's own name appears on some of the correspondence is equally unavailing. The director, if he signed such correspondence, presumably did so under the mistaken belief that Corporation II was the licensee. In any event, the director is without authority to permit a non-licensed cartman to operate under the license of another.

Acceptance of documents and correspondence by Customs directors or employees could not constitute authorization for Corporation II to operate under the license issued to Corporation I, without defeating the purpose and function of the statute and regulations. Use of a cartage license by any person other than the actual license holder is specifically set forth as grounds for revocation of the license in 19 C.F.R. § 112.30(a)(6), and no Customs directors or employees had authority to waive that regulation through inadvertence and under a misapprehension. Corporation II thus at no time had any statutory or regulatory right to use the license, and its use constituted grounds for revocation.

Considerations of waiver or equitable estoppel as a basis for designating Corporation II the "de facto" holder of the license are inappropriate. The regulations describe the role of the cartman as the transportation of merchandise within the limits of a port for possible storage or subsequent examination of the merchandise by customs officers. In requiring that those persons meet the standards established for licensees and that they be bonded, the government acts in its sovereign, rather than its proprietary, capacity. It acts for the benefit of the importing public, protecting it against losses occasioned by a cartman's failure to safely transport and deliver merchandise to the appropriate customs officer. The existence of a bond does not alone assure adequate and controlled protection when a non-licensed entity, though bonded, is operating under the license of another. Estoppel may not be asserted against the government in those circumstances. *Air Sea Brokers, Inc.* v. *United States*, 596 F.2d 1008 (CCPA 1979).

Corporation II asserts a placement of "good faith reliance" on the actions of customs employees who processed correspondence from it. That reliance might be as accurately described as placed on its long-continued success in misleading those employees. We need not, and hence do not, decide whether the assertion here is one of good faith reliance on one's own improper conduct. The customs employees whose conduct is allegedly relied upon did not and could not grant Corporation II a license. If the employees' mere acceptance and filing of documents be viewed as the grant of a license, "de facto" or otherwise, that conduct must also be viewed as outside the scope of their authority and thus not binding on the government. *See Yosemite Park & Curry* v. *United States*, 582 F.2d 552 (Ct. Cl. 1978).

Nor could erroneous advice or neglect on the part of customs employees estop the government from enforcing regulations authorized by statute. *Schweiker* v. *Hansen*, 450 U.S. 785 (1981).

Corporation II alleges the absence of established procedures designed to provide due process to license holders when Customs elects to cancel, revoke, or nullify a cartman's license. As a non-license holder, Corporation II has no standing to raise that issue.

Because Corporation II's use of the license was unauthorized and contrary to statute and regulation, it was error to hold it a "de facto" holder of that license and to enjoin the government from revoking or nullifying that license.[2]

(3) Corporation III's Use of the License

Corporation III says it is entitled to operate under the license on a theory of equitable estoppel and that the CIT therefore erred in enjoining its use of the license.

As set forth above, equitable estoppel is inappropriate and may not be asserted to establish a right in Corporation III to operate under the license issued to another. Considerations precluding Corporation II's use apply equally to use by Corporation III. The CIT found that Corporation III failed to meet reliance and other factors supporting estoppel. That approach was incorrect, but harmless. The CIT correctly determined that Corporation III had no right to operate under the license and therefore properly enjoined such operation.

DECISION

That part of the appealed judgment holding that Corporation II is the de facto holder of the license, and enjoining the government from nullifying the license, is *reversed*. The judgment is *affirmed* in all other respects.

---

[2] In view of our holding that Corporation II never acquired rights to use the license, we need not resolve the arguments on whether New Jersey's voiding of its corporate charter formed a proper basis for Customs' "nullification", and on whether New Jersey's reinstatement of the charter had any effect on that nullification. Because Corporation II cannot be a holder of the license, nothing would appear to impede the government, should it so desire, from cancelling, revoking, or nullifying it on the ground that licensee, Corporation I, is and has long been non-existent or on the ground that Corporation I permitted use of its license by Corporation II. 19 C.F.R. § 112.30(a)(6).

AFFIRMED IN PART AND REVERSED IN PART

SCHAPER MANUFACTURING CO. AND A. EDDY GOLDFARB, D/B/A A. EDDY GOLDFARB & ASSOCIATES, APPELLANTS *v.* UNITED STATES INTERNATIONAL TRADE COMMISSION, SOMA TRADERS, LTD., ET AL., APPELLEES

Appeal No. 83-713

717 F.2d 1368

(Decided: September 22, 1983)

Tom M. Schaumberg, of Washington, D.C., argued for appellants. With him on the brief were *Cecilia H. Gonzalez*. *Joseph Golant*, *Robert M. Ashen* and *Thomas D. Phillips*, of Los Angeles, California were on the brief for appellants.

Wayne Herrington, of Washington, D.C., argued for appellee International Trade Commission.

Lynn J. Alstadt, of Pittsburgh, Pennsylvania, argued for appellee Soma Traders, Ltd. With her on the brief was *Paul A. Beck*, *Lauren R. Howard*, *Jeffrey W. King* and *Michael A. Kershaw*, of Washington, D.C., were on the brief for appellee

Before RICH, DAVIS and KASHIWA, *Circuit Judges*.

DAVIS, *Circuit Judge*.

Schaper Manufacturing Company (Schaper) and A. Eddy Goldfarb, d.b.a. A. Eddy Goldfarb and Associates (Goldfarb), seek review of the October 15, 1982 order of The United States International Trade Commission (ITC or Commission) which terminated the investigation in *In the Matter of Certain Miniature, Battery-Operated All-Terrain, Wheeled Vehicles*, Investigation No. 337-TA-122, USITC Pub. No. 1300, on the ground that there is no domestic "industry" affected by the alleged unfair trade practices. We affirm.

I

The investigation was initiated by appellants' filing of a complaint with the Commission on April 23, 1983, under Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337).[1] The complaint alleged unfair methods of competition and unfair acts in the importation into the United States, or sale here, of certain miniature, battery-operated, all-terrain wheeled vehicles (toy vehicles or Stomper vehicles), involving (1) infringement of U.S. Letters Patent 4,306,375 (the '375 patent) and (2) false designation of source by reason of the copying of appellants' vehicles. The complaint further alleged that the effect or tendency of the unfair methods of competition and unfair acts is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

---

[1] 19 U.S.C. § 1337 (1976) provides in pertinent part:

"Unfair practices in import trade

(a) Unfair methods of competition declared unlawful

Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section."

Section 337 was originally enacted as section 316 of the Tariff act of 1922, and was reenacted in revised form as section 337 of the Tariff Act of 1930. It was then reenacted in revised form in the Trade Act of 1974, and substantially amended by the Trade Agreements Act of 1979 and the Customs Court Act of 1980. Throughout these revisions and reenactments, section 337(a), *supra*, has remained essentially unchanged.

The Commission published a notice of investigation on May 19, 1982. 47 Fed. Reg. 21638, *amended* 47 Fed. Reg. 34864 (Aug. 11, 1982).[2] On October 15, 1982, the Commission issued its final determination that a section 337 violation did not exist, and filed an opinion supporting that determination four days later. The Commission concluded that "there is no violation of section 337 in this investigation because, given the particular facts of this case, complainants do not constitute 'an industry * * * in the United States' within the meaning of that phrase as used in section 337." [3]

The sole issue before us is whether the Commission properly so concluded, thus terminating the investigation.

II

Schaper is located in Minneapolis, Minnesota, and is engaged in the developing, manufacture and marketing of toy products. Goldfarb, situated in Northridge, California, invents toys and games which are then licensed to toy manufacturers. The toy vehicles here, marketed by Schaper under the trade name Stomper,[4] were invented in 1979 by Goldfarb. The '375 patent was obtained for these toy vehicles on December 22, 1981. Schaper was granted an exclusive license in 1979 to manufacture, use and sell the Stomper toy vehicles and accessories [5] (also created and designed by Goldfarb). Goldfarb has continued to developed successive lines of Stomper vehicles and accessories.

Schaper arranged for the manufacture of the Stomper vehicles by Kader Industrial Company (Kader), an unrelated firm in Hong Kong, from which Schaper procures the toys. After Schaper receives a new design from Goldfarb, it prepares specifications for the toy and engineering drawings for the tooling to be used in the manufacture of that design. These specifications and drawings are forwarded to Kader, which manufactures the tooling and the vehicles according to Schaper's specifications. Schaper pays for, and retains ownership of, the tooling made and used by Kader in its production of the vehicles. Schaper maintains regular communication with Kader regarding the manufacturing of the toy vehicles. After Kader conducts a quality control program of the toys in Hong Kong, designed by Schaper, they are shipped to the United States on procurement by Schaper. Most are shipped to Schaper already packaged and essentially ready for sale in blister packs; the remaining are shipped in cellophane poly bags and become component parts of Stomper play sets along with accessories. On receipt from Kader, Schaper conducts more quality control testing.

---

[2] Thirteen parties were initally named as respondents in the notice, including Soma Traders, Ltd., and the other non-government appellees in the current case. The Commission subsequently terminated four respondents, three on the basis of a settlement agreement.

[3] The Commission initially referred the investigation to an administrative law judge, under its rule then in effect, and designated an attorney from its Unfair Import Investigations Division to act as investigative attorney. The ALJ's recommended determination was in appellants' favor—that a section 337 violation exists—after which the Commission held a hearing and issued its final determination. A petition for rehearing of the final determination, filed by the Commission investigative attorney, was denied.

[4] The Stomper vehicle is a four-wheel drive, battery-operated, all terrain toy vehicle. It measures approximately four inches in length and two inches in height and width. The chassis houses the motor, gears, battery, and a light bulb (for simulated headlights). Four black, oversized tires are attached to the chassis by two axles. The chassis is the same on all Stomper models. Different models are created by attachment to the chassis of various plastic bodies designed to resemble real-life vehicles. The continuous battery-powered operation and four-wheel drive enable the vehicle to climb steep grades, clamber over objects, and pull loads.

[5] The accessories, such as toy logs, mountains, and racetracks, were designed to "enhance the play value" of the vehicles by demonstrating their climbing and pulling abilities. Some of the accessories are the subject of pending patent applications.

Appellee Soma Traders, Ltd. (Soma) also imports toy vehicles from Hong Kong—allegedly copies of the Stomper toy vehicles—sold under the names "Super Climbers" and "Military Super Climber." The Soma toy vehicles are sold by toy wholesalers including appellees Milton Myer Co., Inc., ESCO Imports, Pensick and Gordon, and Novelty Distributors Inc. There are no accessories sold by these appellees or specifically for the Soma vehicles.

III

Though the overall problem is whether appellants' domestic business activities constitute an "industry * * * in the United States," giving appellants the protections of section 337, the initial inquiry is what parts of these activities are to be considered, in this investigation, as included in an "industry * * * in the United States." We hold that the Commission properly disposed of that preliminary question.

First, the Commission correctly stated that the definition of "United States" is geographical and not based on citizenship. Section 337(j) defines "United States" as "the customs territory of the United States as defined in general headnote 2 of the Tariff Schedules of the United States (TSUS)." 19 U.S.C. § 1337(j). General headnote 2 of TSUS defines United States Customs territory as "the States, the District of Columbia, and Puerto Rico." In order to meet the threshold requirement of being an "industry * * * in the United States," the "industry" must be geographically located in the United States.

Second, we agree with the Commission that that portion of the appellants' business activities relating to production of the Stomper accessories, all of which occurs in the United States, cannot be considered part of any domestic Stomper toy vehicle industry for the purpose of meeting the "industry * * * in the United States" requirement. In cases under § 337 involving United States article patents, the relevant domestic "industry" extends only to articles which come within the claims of the patent relied on. *See Certain Molded-In Sandwich Panel Inserts and Methods for Their Installation,* USITC Publication 1246 (May 1982); *Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof,* 213 USPQ 291 (ITC 1981), relief modified 217 USPQ 179 (ITC 1981); *see also* 19 C.F.R. § 210.20(a)8(H) (1982). This is a well-settled rule of long standing. The House of Representatives committee report on section 337, when it was reconfirmed in 1974, supports this definition:

> In cases involving the claims of U.S. patents, the patent must be exploited by production in the United States, and the industry in the United States generally consists of the domestic operations of the patent owner, his assignees and licensees devoted to such exploitation of the patent.

H. Rep. No. 93-571, 93rd Cong. 1st Sess. 78 (1973).

Appellants' complaint alleged infringement of the '375 patent, which covers only the Stomper toy vehicles. The fact that the existence of the accessories derives from the toy vehicles does not make their domestic production by Schaper—regardless of the extent of Schaper's activities in manufacturing and producing them—a part of a toy vehicles industry in this action under section 337.[6] The accessories are not a necessary part of the vehicles, nor are they integral to them. Most of the appellants' vehicles are sold without the accessories; the latter do not come within the claims of the '375 patent; nor do they have the claimed product configuration of the Stomper toy vehicle. *See* footnote 8, *infra.* The Commission could rightly conclude from these facts that "the Stomper accessories cannot be part of any domestic industry in this investigation."

Third, we also agree with the Commission that appellant Goldfarb's activities cannot be considered part of any comestic "industry" relevant to this case. His activity concerning the Stomper toy vehicles is the design and licensing of the toy vehicles and accessories, and the collection of royalties; Goldfarb is not involved in the manufacture or selling of the vehicles.

The record shows that Goldfarb's activities with respect to the patented toy vehicles amount to nothing more than that of any inventor. There is nothing in the statute or its legislative history to indicate that such activities, which do not involve either manufacture or production or servicing of the patented item, are meant to be protected by section 337. As noted by the Commission in *Certain Ultra-Microtome Freezing Attachments,* 195 USPQ 653, 656 (ITC 1976), "[t]he wording of the statute itself adds to the conclusion that the statute protects only parties producing under the patent. To find a section 337 violation, the statute requires that the industry be 'efficiently and economically operated.' 'If the statute were addressed to the patent rights per se of a patentee, there would be no need for the test of efficiency and economy of operation.' " [Footnote omitted.] As we have pointed out, this has been the consistent, long-established Commission rule, and there is no reason to disturb it.[7]

---

[6] Indeed, it is hard to imagine that Schaper's production of the accessories could be injured by the appellees' toy vehicles. Appellees produce and sell no comparable accessories, and all of the toy vehicles at issue apparently are compatible with Schaper's Stomper accessories. To whatever extent the market is expanded by the challenged toy vehicles, Schaper's accessory business seems to be helped rather than hurt.

IV

Having joined with the Commission that both the accessories and Goldfarb's activities should be eliminated from consideration, we focus on Schaper's domestic activities related to the Stomper toy vehicles. Section 337 does not expressly define an "industry * * * in the United States" for the purpose of determining whether a domestic industry has been injured. Both the legislative history of section 337 and past Commission decisions on those section 337 investigations that have been based on claims of patent infringement indicate that, in order to constitute an "industry * * * in the United States," the patent must be exploited by production in the United States. *See* Part III, *supra.* As quoted above, the House report accompanying the Trade Act of 1974 states that "the patent must be exploited by production in the United States, and the industry in the United States generally consists of the domestic operations of the patent owner, his assignees and licensees devoted to such exploitation of the patent." H. Rep. No. 93-571, 93d Cong. 1st Sess. 78 (1973).[8] The Commission in *Certain Ultra-Microtome Freezing Attachments, supra,* 195 USPQ at 656, likewise said that "[p]ast Commission decisions, from *Bakelite* [*Frischer & Co.* v. *Bakelite Corp.,* 39 F.2d 247 (CCPA 1930)] through *Electronic Pianos* [USITC Pub. 721 (March 1975)], have defined 'industry' in section 337 investigations as the domestic manufacture or production of the patented product by the patentee or his licensee." [9]

On this view, the nature and the extent of Schaper's domestic activities (in relation to the total production process of the Stomper toy vehicles) are insufficient to constitute an "industry * * * in the

---

[7] Appellants rest on Goldfarb's general business of designing and inventing many kinds of toys (he has some 50-60 projects a year and has created over 1000 toys) for many firms, but most of this activity is, or course, unrelated in any way to the Stomper toy vehicle. Insofar as the claim is that Goldfarb has engaged in general "research and development" for the toy industry, the answers are that (a) in an investigation based on alleged infringement of a particular United States patent, the patentee's other activities are irrelevant, (b) the Commission has never considered "research and development" activities, standing alone, to constitute an "industry" under § 337, and (c) Schaper's activities together with Goldfarb's very different activities do not together constitute *an* "industry." It is also worth noting that Goldfarb's continuing design activities with respect to the Stomper vehicles relate to the tops which are not covered by the '375 patent—and they do not substantially involve Schaper's claims as to product configuration (which flows from the design of the chassis, not the tops).

[8] Although it was the Senate version of the revised section 337 that was enacted, neither the Senate nor House version amended section 337(a)'s "industry" requirement. This portion of the House Report was a recitation of past Commission practices. The Senate version does not recite this practice, but there is no reason to think that body rejected the House report's statement.

[9] *See also Certain Plug-In Blade Fuses,* USITC Pub. 1337 (Jan. 1983); *Certain Molded-In Sandwich Panels Inserts and Methods for Their Installation,* USITC Pub. 1246 (May 1982); *Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Therefor,* 213 USPQ 291 (ITC 1981); *Certain Surveying Devices,* USITC Pub. 1085 (July 1980); *Certain Multicellular Plastic Film,* USITC Pub. 987 (June 1979); *Certain Luggage Products,* USITC Pub. 932 (Nov. 1978); *Reclosable Plastic Bags,* USITC Pub. 801 (Jan. 1977).

United States." The entire manufacturing of the toy vehicles occurs in Hong Kong, as does most of the packaging and quality control. Schaper purchases from Kader the toy vehicles, the great bulk of which are already packaged for sale in blister packs, and imports them into the United States. Those that are not already in blister packs are imported in plastic bags, which are then placed in some of the boxes containing accessories. Schaper's inspection activities upon receipt in this country appear to involve ordinary sampling techniques. They are nothing like those in *Certain Cube Puzzles,* USITC Pub. 1334 (Jan. 1983) in which Ideal Toy's quality control, repair and packaging of imported cube puzzles was determined to constitute an "industry * * * in the United States." Unlike Ideal's large inspection and packaging operation in which half of the puzzle's value was added by Ideal's United States activities, Schaper has not shown its United States inspection activities to be substantially different from the random sampling and testing that a normal importer would perform upon receipt (and Schaper does no repairs). Also, Schaper's very large expenditures for advertising and promotion cannot be considered part of the production process. Were we to hold otherwise, few importers would fail the test of constituting a domestic industry. In addition, Schaper's monitoring [10] of Kader's manufacturing cannot be considered part of a domestic industry; it occurs in Hong Kong.

Nor are Schaper's activities comparable to the servicing and installation activities accepted in *Certain Airtight Cast Iron Stoves,* USITC Pub. 1126 (Jan. 1981) and *Certain Airless Paint Spray Pumps and Components Thereof,* USITC Pub. 1199 (Nov. 1981), in which substantial domestic repair and installation activities necessarily associated with imported stoves (in *Stoves*), and frequent domestic product servicing under warranties as well as some domestic production (in *Spray Pumps*), were found by the Commission sufficient to warrant determinations that the "industry" requirement was met. Although we agree that in proper cases "industry" may encompass more than the manufacturing of the patented item, we also believe that the Commission did not err in deciding that Schaper's activities in the United States are too minimal to be considered an "industry" under section 337. There is simply not enough significant value added domestically to the toy vehicles by Schaper's activities in this country (including design, inspection and packaging). The result is that the Commission's determination, which is consistent with its other holdings, is not erroneous as a legal matter or unsupported by substantial evidence, nor arbitrary or capricious (to the extent the question is within the agency's discretion).

We do not have to deal in this case, more precisely, with the limits of section 337's use of "industry * * * in the United

---

[10] Not shown to be substantially different from that of an ordinary importer ordering and purchasing foreign goods to be manufactured abroad for importation into the United States.

States."[11] The Commission has not adopted appellant's proposed general definition that a "significant employment of American land, labor and capital for the creation of value" constitutes such an "industry," and the words, purposes and history of section 337 do not compel that reading if it is meant to downplay the role of production and servicing in this country. As the statute now stands, Congress did not mean to protect American importers (like Schaper) who cause the imported item to be produced for them abroad and engage in relatively small non-promotional and non-financing activities in this country—*i.e.,* they engage in design and a small amount of inspection and packaging in this country.[12] If, as appellants suggest, present-day "economic realities" call for a broader definition to protect American interests (apparently including many of today's importers) it is for Congress, not the courts or the Commission, to legislate that policy.[13]

The Commission's order is *affirmed.*

---

[11] Nor do we have to decide the full nature and extent of servicing activities which may be sufficient to meet section 337's requirement. To determine the present case, it is enough that Schaper's activities can clearly be considered too small in this regard.

[12] In this case, the bulk of the land, labor and capital used for the creation of the value of the toy vehicles was utilized in Hong Kong, not the United States.

[13] We note, superfluously, that our recent decision in *Bally/Midway Mfg. Co. v. U.S. International Trade Commissioner,* No. 82-32, August 2, 1983, has no bearing on the present case.

UNPUBLISHED OPINIONS

International Fashions v. Angela Buchanan, Treasury, et al., Appeal No. 82-16, *Affirmed,* November 18, 1982, opinion Per Curiam

Adorance Co., Inc. v. The United States, Appeal No. 82-25, *Affirmed,* December 10, 1982, opinion by Chief Judge Markey

ITT Thompson Ind. Inc. v. The United States, Appeal No. 82-22, *Affirmed,* December 23, 1982, opinion by Judge Nichols

The United States v. Kores Manufacturing Corp., *Affirmed,* April 22, 1983, opinion by Judge Smith

COMPACT, et al. v. The United States, *Affirmed,* May 2, 1983, opinion Per Curiam

Swift Instrumental Inc. v. The United States, Appeal No. 83-605, *Affirmed,* May 27, 1983, opinion by Judge Kashiwa

Data Products Corp. v. The United States, *Affirmed.* July 28, 1983, opinion by Judge Miller

DISMISSALS

AUGUST 9, 1983

No. 83-1078 Goldsmith & Eggleton, Inc. v. The United States

INDEX

Page
Administrative Agency: Scope of Statutory Authority 40, 53, 130
Anti-Dumping Act of 1921:
  Agency Investigation 40
  Duty Determination 130
Appraisement: Export Value 130
Burden of Proof 21
CIT: Jurisdiction—Cartmen's License 151
Classification:
  Farm Implements 58
  Leather Goods, "Fancy" 70
  Nonreusable Containers 16
  Prosthetic Socks and Sheath 146
  Sew-On Fasteners 17
  Surge Voltage Protectors 9
  Television Reserves 74
  Textile Finishing Machine 67
Countervailing Duty Law 81
De facto License Holder—Inappropriate 151
Definition:
  Industry 157
  Other Prosthetic Articles 146
  Prosthetic 146
  Wearing Apparel 146
Drawback: Denial 63
Dual Burden of Proof 21
Due Process 21
Duty Exemption 1
Established and Uniform Practice: Finding of 9
Exclusion Order: Review After Modification 90
Factual Determination: Standards of Appellate Review 90
Farm Implements 58
Federal Rules of Civil Procedure: Timeliness 63
Foreign Competition 40
General Interpretive Rule 10(c) 67
Injunction: Abuse of Discretion 74
Injury:
  American Business 74, 119
  Domestic 21, 74, 157
  Dumping 74
  Remedy for 74
ITC:
  Determination of Injury 21
  Order of: Vacated 40, 90
  Practice and Procedure 40
Jurisdiction 1
Leather Goods, "Fancy" 70
Legislative Intent 1
Marking of Imported Articles 21
Nonreusable Containers 16

Preliminary Injunctive Relief 24
Presidential Proclamation 11
Procedures: ITC 40
Prosthetic Socks and Sheath 146
Scope of Review: Appeal for Denial of Preliminary Injunctive Relief Narrows Review 11
Scoreboard With Memory and Random Access 90
Secretary of Commerce:
  Authority To Settle Antidumping Duties (Sec. 617) 53
  Authority 19 C.F.R. 353.15(c) 130
Sew-On Fasteners 17
Surge Voltage Protectors 9
Television Reserves 74
Textile Finishing Machine 67
Ultimate Purchases 21
Unfair Practice 9
Unfair Methods of Competition 90
Video Games 119

STATUTES CONSTRUED AND REFERRED TO

	Page
Agricultural Adjustment Act: Section 22(b) (No. 82-19)	1
Customs Court Act of 1980 (No. 82-17)	11
Freedom of Information Act (No. 82-27)	40
Oceanographic Research Vessels Act (ORVA) (No. 82-19)	1
Presidential Proclamation:	
No. 4074 (No. 82-17)	11
No. 4098 (No. 82-17)	11
Tariff Act of 1930, as amended:	
Sec. 303 (No. 82-30)	81
Sec. 304(a)(3)(H) (No. 82-31)	21
Sec. 337 (No. 82-2)	90
Sec. 337(a) (No. 82-32)	119
Sec. 337(d) (No. 82-32)	119
Sec. 617 (No. 83-578)	53
Tariff Act of 1930, as amended by the Trade Agreements Act of 1979 (No. 82-24)	130
Tariff Classification Study: (1960) Schedule 1 (No. 83-594)	70
Trade Agreements Act of 1979 (No. 82-24 and 82-30)	130, 81
Sec. 516a(e) (No. 83-590)	74
Sec. 516(c)(1) (No. 83-590)	74
Sec. 751 (No. 83-590)	74
Trade Reform Act of 1973 (No. 82-32)	119
Trading With the Enemy Act. Sec. 9(a) (No. 82-17)	11
TSUS:	
Item 382.58 (No. 83-833)	146
Item 382.78 (No. 83-833)	146
Item 657.20 (No. 82-15)	58
Item 666.00 (No. 82-15)	58
Item 670.12 (No. 83-641)	67
Item 670.43 (No. 83-641)	67
Item 685.90 (No. 82-12)	9
Item 687.60 (No. 82-12)	9
Item 692.30 (No. 82-15)	58
Item 709.57 (No. 83-833)	146
Item 745.63 (No. 82-29)	17
Item 745.65 (No. 82-29)	17
Item 774.60 (No. 82-29)	17
General Headnote 6(b) (No. 82-14)	16
General Interpretive Rule 10(c)(ii) (No. 83-833)	146
Para. 1530(d) (No. 83-594)	70

U.S. GOVERNMENT PRINTING OFFICE: 1986 — 461-816